Mullen Group
INCOME FUND

2005 FINANCIAL REPORT

CONTENTS

HIGHLIGHTS

- Conversion to a mutual fund trust – July 1, 2005
- Revenues – $591.7 million
- Net income – $70.0 million
- Basic earnings per unit – $1.51
- Distributions paid – $31.9 million
- Yield on closing price – 5 percent
- Unit price appreciation – 96.7 percent
- Unitholders' return on equity – 23.5 percent
- Debt to equity – 0.22:1
- Distributions declared – $38.2 million

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS

The Management's Discussion and Analysis ("MD&A") for 2005 should be read in conjunction with the 2005 annual consolidated financial statements ("2005 Annuals"). Additional information is available at www.sedar.com. All amounts are in Canadian funds.

This report contains forward-looking statements which reflect management's expectations regarding the Mullen Group Income Fund's ("Mullen" and/or the "Fund") future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "will", "believe", "expect", "potential", "continue", "view" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this report are based upon what management believes to be reasonable assumptions, the Fund cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks, uncertainties, and factors include, but are not limited to: certain economic risks, most important of which are a slowdown in the general economy or reduced oil and natural gas drilling; non-resident ownership; prevailing interest rates; currency exchange rates; customer relationships, labour disruption and driver retention; accidents and costs of liability insurance; and fuel prices. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. See additional discussion under Business Risks and Uncertainties. These forward-looking statements are made as of the date hereof and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

Overview

General

Mullen Group Income Fund ("Mullen" and/or the "Fund") is an unincorporated open-ended investment trust governed by the laws of Alberta and created pursuant to the declaration of trust. The Fund qualifies both as a "unit trust" as defined in the *Income Tax Act* (Canada) ("Tax Act"), and as a "mutual fund trust" as defined in the Tax Act. The Fund was formed on June 3, 2005 and commenced operations on July 1, 2005 as a result of the completion of a plan of arrangement ("the Plan") involving, among others, the Fund, Mullen Transportation Inc., Mullen Holding Trust ("MHT"), Mullen Group Inc., ("MGI" and/or the "Administrator"), and Mullen Acquisition Corp., completed on July 1, 2005 under the Business Corporations Act (Alberta), pursuant to which, among other things, the Fund indirectly acquired all the issued and outstanding common shares of Mullen Transportation Inc. Mullen is a publicly-traded income trust listed on the Toronto Stock Exchange under the symbol "MTL.UN".

The Fund was established for the purposes of acquiring or investing in the securities of MHT, MGI, MT Investments Inc., formally known as Mullen Transportation Inc. ("Mullen Transportation" and/or the "Company") or any associate or affiliate thereof or any other entity involved in any business. Such business may involve the ownership, lease or operation of assets, property or businesses, related to the transportation, distribution or storage of freight or the provision of transportation,

housing, drilling or other services related to exploration for or drilling, extracting, gathering, processing, transporting, buying, storing or selling of petroleum, natural gas, natural gas liquids, water, minerals or other related products, power or other forms of energy, and any and all related businesses.

The direct and indirect subsidiaries of the Fund carry on the business of the Fund.

The unitholders are the sole beneficiaries of the Fund. CIBC Mellon Trust Company is the trustee of the Fund. The Fund is the sole shareholder of MGI. The Fund is not managed by a third-party manager. Pursuant to a delegation agreement, certain of the powers and duties of the trustee have been delegated to the Administrator and pursuant to an administration agreement the management and administration of the Fund has been delegated to the Administrator. Pursuant to this administration agreement, the Administrator on behalf of the trustee may declare payable to the unitholders on a particular distribution record date all or any part of the cash flow of the Fund for the distribution period including that distribution record date. Since the creation of the Fund, the Fund has made regular monthly cash distributions on the 15th day of each month (or the first business day thereafter) to holders of units of record on the immediately preceding distribution record date.

The Fund's audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The audited consolidated financial statements and Management's Discussion and Analysis were reviewed by the Administrator's Audit Committee on February 22, 2006 and approved by the Administrator's Board of Directors on February 22, 2006.

The Fund reports on certain non-GAAP measures that are used by management to evaluate performance of the Fund. Management believes these measures are useful supplemental measures. These non-GAAP measures do not have standardized meanings and may not be comparable to similar measures presented by other companies or income trusts. For the readers' reference, the definition, calculation and reconciliation of consolidated non-GAAP measures is provided in the "Glossary of terms and reconciliation of non-GAAP terms" section of the MD&A.

Continuity of Interests

On June 30, 2005 the shareholders of Mullen Transportation approved the Plan that resulted in the Company's conversion to an open-ended investment trust called Mullen Group Income Fund. The Fund, as the successor in interest to the Company, will be accounted for as a continuity-of-interest. The consolidated financial statements of the Fund for the year ended December 31, 2005 and comparables for the prior periods will reflect the financial position, results of operations and cash flows as if the Fund had always carried on the business formerly conducted by the Company.

Summary Description of Business

The businesses of the Fund, other than Beaufort Oilfield Support Services Inc. ("BOSS" – 49 percent ownership) and Mackenzie Delta Integrated Oilfield Services Inc. ("MDIOS" – 39 percent ownership) are operated through wholly-owned

companies and limited partnerships collectively known as the "Mullen Group". The operating businesses, which are owned by the Fund, are divided into two distinct business segments: Oilfield Services and Trucking. The segments are differentiated by the type of service provided, equipment requirements and customer needs. The management and financial expertise, technology and systems support is provided by the Administrator of the Fund to the operating businesses. Oilfield Services utilizes its highly trained personnel to provide specialized transportation services, drilling services and well-servicing equipment to the oil and gas industry. These services include: drilling rig relocation services; conductor pipe setting; core drilling; shallow gas and coal-bed methane drilling; casing setting; transporting of oversize and overweight shipments; pipe stockpiling and stringing; and a broad range of services related to the processing and production of heavy oil, including: well-servicing and pumping, hauling and disposal of fluids. The Trucking segment offers a diversified range of truckload and less-than-truckload general freight services to customers in Canada, the United States and Mexico, transporting a wide range of goods including: general freight; specialized commodities such as cable, pipe and steel; over-dimensional loads such as heavy equipment, compressors and over-sized goods; and dry bulk commodities such as cement and other dry bulk goods.

At December 31, 2005 the Fund's operations consist of 16 business units, each of which is operated as a separate business accountable for its own performance and profitability. The businesses utilize both their own equipment and the services and equipment of owner-operators and subcontractors. As at December 31, 2005, the Mullen Group owned or leased 727 power units; had access to an additional 838 power units under contract with owner-operators or subcontractors; and employed 1,021 drivers and field personnel. The Mullen Group also owned or leased 2,402 trailers (the vast majority of which are owned by the Mullen Group), which include 685 van, 742 flatbed, 500 dry bulk, 389 specialized trailers and 116 temperature-controlled trailers. In addition, as at December 31, 2005, the Mullen Group owned 27 coring rigs, 11 surface-setting rigs, 3 dual rotary rigs and 5 drilling rigs.

Materiality of disclosures

Management determines whether or not information is "material" based on whether it believes a reasonable investor's decision to buy, sell or hold securities in the Fund would likely be influenced or changed if the information were omitted or misstated.

Objective of the Fund

The objective of the Fund is to maximize the overall returns to unitholders in two ways. The first is by distributing income generated by the business in the most tax-effective manner allowed by the Tax Act. The second is growing the Fund's business by acquiring profitable and well-managed businesses in the sectors of the economy where the Fund feels opportunities exist or where the Fund has strong market penetration and business experience, including the oil and gas service industry and the transportation and distribution of freight within the North American economy. Since going public in 1993, Mullen and its predecessor Mullen Transportation has acquired 24 businesses and has grown annual revenues to $591.7 million in 2005 from $72.6 million in 1993.

Quality and Customer Service

We manage the business of the Fund on behalf of our unitholders based upon the principles of: generating superior profitability and striving for excellence in safety. To achieve these two goals we commit to the principles of Total Quality Management, which have been incorporated into our own program known as *On the Road to Quality*. This award winning program is based upon the foundation that our people are the key to the future success of Mullen. In support of this belief we seek to provide our employees with:

- A quality work environment
- On-going training and skills upgrading
- Career growth opportunities
- Effective technology to enhance systems and processes
- Incentive based-pay

Operating a team environment we challenge our employees to make decisions on all aspects relating to the operations of the business. By doing so, we believe that we can improve customer service, enhance business processes, maintain cost controls and obtain excellence in safety.

Operating Strategy

Our approach to managing the business, assets and cash flows of the Fund to achieve the maximum overall returns to unitholders is based upon the following strategy:

(1) Operate a decentralized business model - the Administrator provides overall support to the operating businesses, which are each held accountable for their own performance and results. The management and employees of these business units are remunerated and receive profit share based upon the performance of their business unit

(2) Maximize asset utilization - utilizing a combination of company-owned and operated equipment, which are either acquired as an asset or under operating leases; owner-operator equipment; and by utilizing subcontractors on an as-needed basis.

(3) Invest in Energy - investing in western Canada where the economic growth is higher due to the oil and gas and mining sectors of the economy and where we believe significant future growth opportunities exist.

(4) Make accretive acquisitions – acquire competing, complementary or new business lines that can accelerate our growth potential.

(5) Diversify – continue to grow and invest where opportunities exist in the two segments of the economy where the Fund has strong market penetration and customer relationships, namely: the oil and gas industry and the transportation and distribution of freight within the North American economy.

(6) Maintain a strong balance sheet – we strive to maintain our debt-to-equity below 0.5:1.

(7) Maintain a conservative payout ratio – over the life of a business cycle, we believe that our capital expenditures should equal our depreciation. A payout ratio of approximately 75 percent has been considered appropriate for Mullen over the course of a business cycle; however, this could vary from year to year due to market conditions.

Significant Developments in 2005 and Subsequent Events

Trust Conversion

On June 30, 2005 the shareholders of Mullen Transportation approved the Plan that resulted in the Company's conversion to an open-ended investment trust called Mullen Group Income Fund. Pursuant to the Plan, shareholders received, at their election, in exchange for each Company common share, either three trust units of the Fund ("Trust Unit") or a combination totalling three units per share of Trust Units and/or exchangeable Mullen Co. Limited Partnership ("MCLP") B units ("B Units"), that are exchangeable for a Trust Unit. It is believed that the income trust structure is beneficial to investors.

Acquisitions

Summary of Significant Acquisitions
($ thousands)

	Tenold	Payne	Schmidt
	May 1	June 14	Aug. 31
Consideration	$ 24,100	$ 9,933	$ 25,564

Continuing the Fund's strategy of acquiring profitable and well-managed businesses, the Fund completed three significant acquisitions during the year. In the Trucking segment, the Fund acquired Tenold Transportation Inc. ("Tenold") and Payne Transportation Inc. ("Payne"). In the Oilfield Services segment, the Fund acquired Schmidt Drilling L.P. ("Schmidt"). These acquisitions have been accounted for by the purchase method and results of operations have been included in the consolidated financial statements from the date of acquisition (See Note 3 of the 2005 Annuals.)

On May 1, 2005 the Fund acquired Tenold for consideration of $24.1 million. Tenold is a value-added transportation services company primarily providing long-haul flatbed truckload and less-than-truckload services throughout Canada and the United States. Tenold also provides logistics, warehousing and distribution, and other non-transportation services such as cable cutting and reel services to its customers in the wire and cable, telephone, hydro and construction industries. In addition, Tenold is one of the largest transporters of machinery, equipment, pipe and bulk materials in western Canada. Tenold operates a fleet of approximately 125 owner-operated power units and associated trailers from its head office in Surrey, British Columbia and its terminals across Canada. The results of operations of Tenold are included in the Trucking segment.

In 2000, the Fund acquired an initial 45 percent interest in Payne, a start-up, long-haul transportation company. On June 14, 2005 the Fund acquired the remaining 55 percent of Payne for consideration of $9.9 million. Payne focuses on the transportation of truckload and less-than-truckload general freight across Canada and the United States. Payne operates a fleet of approximately 220 owner-operated power units and 400 trailers from its head office in Winnipeg and its terminals across Canada. Prior to June 14, 2005 the results of operations of Payne were included in earnings from equity investments. After June 14, 2005 the results of operations of Payne are included in the Trucking segment.

On August 31, 2005 the Fund acquired Schmidt for consideration of $25.6 million, which has a business that is complementary to the Cora Lynn Drilling LP operations. Schmidt owns and operates five truck-mounted drilling units and a fleet of support trucks and trailers. Its business is focused on servicing the core drilling market which involves drilling for and recovery of core samples in the oil sands. In addition, it provides conventional oil and gas drilling and coal-bed methane drilling to depths up to 1,500 metres. Schmidt's senior management have agreed to remain with the company to oversee its ongoing operations and to lead a well trained and experienced workforce. With this additional experience and expertise it is believed that Mullen can enhance the level of drilling services it provides to customers.

Subsequent Events

On January 12, 2006 the Fund issued 3.4 million Trust Units at $30.00 per unit which resulted in net proceeds of $96.5 million to the Fund, after underwriting and professional fees. Proceeds of this issuance will be used for general corporate purposes including acquisitions, debt repayment, and capital expenditures. After the issuance of the 3.4 million Trust Units, the Fund has 41,160,207 Trust Units outstanding and 9,495,549 B Units outstanding for a total of 50,655,756 units outstanding.

On January 12, 2006 the Fund acquired all the remaining outstanding shares of Pe Ben Oilfield Services Ltd. ("Pe Ben"), a public transportation company, for $54.4 million or $18.50 cash for each outstanding Pe Ben share plus professional fees of $0.1 million. The Fund previously held approximately 9.5 percent of Pe Ben's outstanding shares. Pe Ben has three businesses: tubular and oilfield transportation; pipeline stringing; and liquid bulk transport.

On January 13, 2006 the Fund announced its monthly distribution policy for 2006 will be $0.15 per unit ($1.80 per unit per year), an increase of $0.015 from the $0.135 per unit ($1.62 per unit per year) distributed in 2005.

On February 14, 2006 the Fund and Producers Oilfield Services Inc. ("Producers") announced that their respective boards had unanimously approved a business combination. It is anticipated that the transaction will occur by way of a plan of arrangement and will result in each Producers' share being converted into 0.4444 Trust Units or B Units. It is anticipated that this will result in the issuance of approximately 30.0 million units which will increase the Fund's outstanding units to approximately 81.0 million units. It is also contemplated, as part of the transaction, that the assets of Mullen and Producers associated with the Far North will be transferred into a separate public company, the details of which have yet to be finalized. The Producers transaction is subject to regulatory approval and unitholder approval by at least 66 $^{2}/_{3}$ percent of both Producers shareholders and Mullen unitholders. It is expected that the shareholder and unitholder meetings related to such approvals will be held in May 2006. A joint information circular regarding the combination is expected to be mailed to unitholders of Mullen and shareholders of Producers in April 2006.

In late February the Fund entered into agreements to acquire three companies for a total cash consideration of approximately $31.0 million. The acquisitions are scheduled to close on February 28, 2006.

2005 Financial Overview

Selected Annual Information

($ Millions, except per unit amounts)	2005	2004	2003
		(restated)(1)	(restated)(1)
	$	$	$
Revenue	**591.7**	470.9	421.5
Operating income(1)	**112.7**	92.1	71.2
Net income	**70.0**	46.5	32.4
Earnings per unit – basic	**1.51**	1.03	0.73
– diluted	**1.51**	1.02	0.72
Funds from operations(1)	**100.8**	70.0	52.1
– per unit(1)	**2.18**	1.55	1.17
Total assets	**508.6**	400.7	381.6
Total long-term debt	**51.5**	39.2	73.6
Debt to equity	**0.22:1**	0.15:1	0.15:1
Cash dividends declared per unit	**–**	0.17	0.13
Cash distributions declared per unit	**0.81**	–	–

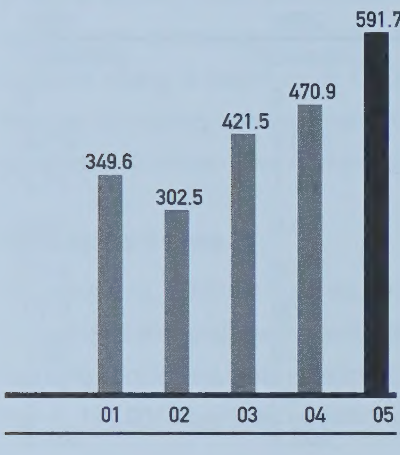
(1) Refer to the Glossary of Terms and Reconciliation of non-GAAP terms.

Consolidated Analysis

In the Outlook section of the 2004 Management's Discussion and Analysis we indicated we were optimistic about the opportunities for 2005 given the high commodity prices and potential economic growth. It was also stated that the Fund was conservatively financed which provided a high degree of flexibility to capitalize on three objectives; increase capital expenditures, return cash to shareholders, and acquire complementary or competing businesses in 2005. As evidenced by the strong growth of the Fund in 2005 management's expectations were realized in the year. Oil and gas pricing was very strong contributing to a substantial increase in drilling activity and capital spending by energy companies in western Canada. In addition the overall North American economy continued to expand at reasonable growth rates. The combination of these events was the primary factor allowing the Fund to achieve all three of its stated objectives for 2005: increasing its net capital expenditures by $9.5 million to $24.9 million in 2005 from $15.4 million in 2004; paying out $35.6 million to unitholders in 2005 in the form of distributions and dividends compared to $6.7 million of dividends in 2004; and acquiring four new businesses for total consideration of $60.4 million in 2005 compared to $10.0 million in 2004.

CONSOLIDATED REVENUE

($ million)

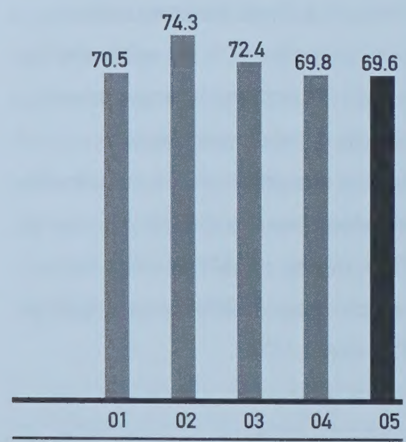


Consolidated Revenue

Revenue is generated by the Fund's operating businesses utilizing a combination of company assets, which are either owned by the Fund or leased under long-term operating leases ("Company Equipment"); owner-operators who provide trucks and/or trailers and work exclusively for the Fund under yearly contracts; and subcontractors, who own their own equipment and are used by the Fund during times of peak demand. In 2005, consolidated revenue increased by 25.7 percent to $591.7 million from $470.9 million in 2004. The $120.8 million increase was primarily due to the effect of a series of acquisitions, namely: Northern Underwater Systems ("NUS") in October 2004, Tenold in May 2005, Payne in June 2005 and Schmidt in August 2005, which collectively accounted for $76.0 million of the revenue increase. Other contributors to the increase included higher activity in our pre-existing Trucking segment businesses which contributed an additional $34.3 million in revenue; and increased activity in certain of our Oilfield Services business units, offset by decreased revenue in production services due to the Fund's decision not to renew a major contract with insufficient profit margins. The increased revenue in the businesses owned by the Fund for the entire year is attributable to both volume and price increases that are due to the strong Alberta economy, which is driven by high levels of oil and gas drilling activity, construction, and by the continued expansion of the oil sands plants. The strong demand for the Fund's services resulted in increased revenue due to both volume and price increases.

DIRECT OPERATING EXPENSES

(as a % of Revenue)



Direct Operating Expenses

Direct operating expenses include three main categories of expenses. The first category, subcontractors, are generally hired on an "as-needed" basis. Subcontractors have their own equipment and can supply their services to any company. The second category, owner-operators, are licensed under and work exclusively for Mullen. The third category of direct operating expense relates to the direct costs incurred to operate and maintain Company Equipment. The major direct operating costs associated with operating Company Equipment are wages, repairs and maintenance, fuel, and operating supplies. Direct operating expenses increased to $411.9 million from $328.9 million in 2004, reflecting increased costs associated with the increase in revenue and, to a lesser extent, general increases in operating costs. As a percentage of revenue, these expenses improved moderately year-over-year, declining to 69.6 percent of revenue from 69.8 percent in 2004. This decrease in costs as a percentage of revenue can be attributed to higher levels of utilization of

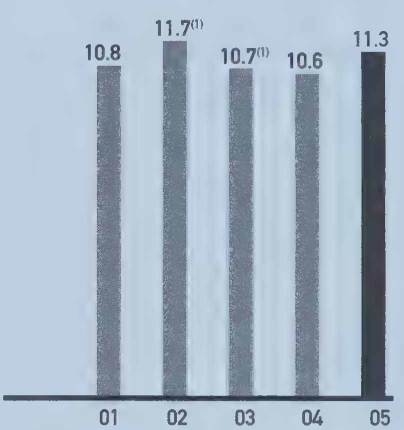
Company Equipment, and generally improved operating margins in both the Oilfield Services segment and the Trucking segment. These improvements were somewhat offset by lower margins in the newly acquired businesses of Tenold and Payne, which are businesses that traditionally have lower margins.

Selling and Administrative Expenses

Selling and administrative expenses include selling and administrative salaries, employee profit share, and other administrative expenses incurred to support the operations of the Fund. These expenses increased to $67.1 million from $49.9 million in 2004. The $17.2 million increase is primarily due to a $6.7 million increase in costs associated with the NUS, Tenold, Payne and Schmidt acquisitions; a $4.7 million increase in the employee profit share due to improved returns on invested capital[1] and the inclusion of new business units; a $2.0 million net increase in the stock-based compensation expense primarily due to accelerated vesting of stock-options associated with the trust conversion, partially offset by lower unit based compensation as a trust and a $1.4 million increase in professional fees due to the Trust conversion. As a percent of revenue these expenses increased to 11.3 percent from 10.6 percent in 2004. Excluding the one-time trust conversion costs, selling and administrative expenses were 10.6 percent of revenue in 2005.

SELLING AND ADMINISTRATIVE EXPENSES

(as a % of Revenue)



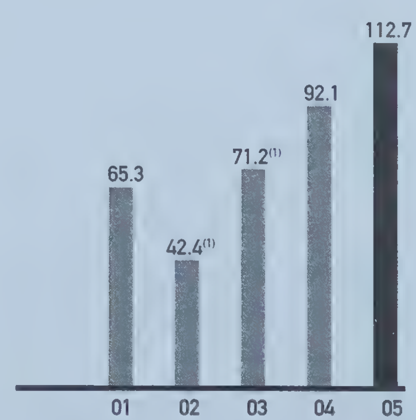
(1) restated

Operating Income

Operating income increased by 22.4 percent to $112.7 million from $92.1 million in 2004. The acquisitions of NUS, Tenold, Payne and Schmidt contributed most of the increase, adding $10.1 million of incremental new operating income in 2005. Smaller increases were achieved in the other business units due to a combination of price increases, productivity gains as a result of the addition of new capital assets, and the Fund's overall focus on cost control. These increases were offset by higher head office costs, namely professional fees and stock-based compensation costs associated with the trust conversion and lower operating income in Cora Lynn. As a result, the operating margin decreased to 19.0 percent from 19.6 percent in 2004.

OPERATING INCOME

($ millions)



(1) restated

Depreciation and Amortization

Depreciation and amortization increased by $2.6 million to $22.5 million in 2005, from $19.9 million in 2004. This reflects the full year's effect of NUS, and increased depreciation associated with the acquisitions of Tenold, Payne, Schmidt and Fridays Transport ("Fridays"), which added $25.0 million of property, plant and equipment ("PP&E") and $9.5 million of intangibles. (See Note 3 of the 2005 Annuals). These intangibles are amortized over five years which resulted in an additional $1.0 million of amortization in 2005. Depreciation also increased due to the $24.9 million of net PP&E purchased in 2005.

Interest on Long-term Debt and Other Interest

Total interest declined slightly to $1.9 million in 2005 from $2.0 million in 2004 as the average debt throughout the year remained relatively constant to 2004. The Fund's debt-to-equity ratio at December 31, 2005 was 0.22:1 compared to 0.15:1 at December 31, 2004.

(Gain) Loss on Sale of Equipment

In 2005 the Fund had gains of $0.2 million on sales of $7.9 million of equipment compared to a $0.7 million loss on the sale of equipment of $5.1 million in 2004. Aggregate losses over the past five years amounted to $0.1 million which reflects the reasonableness of the Fund's accounting depreciation rates.

Income Taxes

Income tax expenses declined by $4.8 million to $19.0 million in 2005 from $23.8 million in 2004. This reflects the Company's conversion to a trust on July 1, 2005. Since that time, the Fund has been a mutual fund trust for purposes of the Tax Act, and is only subject to statutory income taxes on taxable income not distributed to the unitholders. The Fund is subject to federal large corporation taxes ("LCT"), certain provincial capital taxes ("PCT") and corporate income taxes and follows the liability method of accounting for income taxes. The conversion to a trust lowers the effective tax rate, increases after-tax income and defers taxable income. As a result, the effective income tax rate was 21.4 percent for 2005 compared to 34.2 percent in 2004 (see Note 9 of the 2005 Annuals). The effective tax rate for the first half of 2005 was 36.7 percent compared to 5.7 percent in the second half of the year. Had the Fund paid tax at the 34.2 percent tax rate for all of 2005, earnings would have been reduced by $11.3 million. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences", and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Fund's provision for current income taxes, LCT, PCT and future tax.

Earnings from Equity Investments

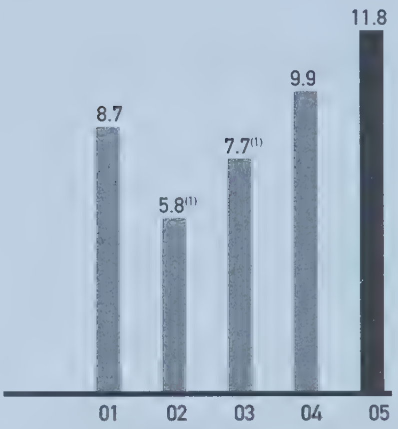
Earnings from equity investments declined by $0.4 million to $0.4 million in 2005 from $0.8 million in 2004. Earnings from equity investments consist of earnings from our investments in two northern Canadian businesses, BOSS and MDIOS, and from our investment in Payne. Payne was acquired in stages with the Fund owning 45 percent from 2000 until June

14, 2005. In 2004, $0.5 million of earnings from Payne were included as earnings from equity investments. In 2005, $0.4 million of earnings from Payne were included in earnings from equity investments until its full acquisition in June, 2005. MDIOS generated $0.3 million in equity earnings in 2005; however, this was offset by equity losses of $0.3 million in BOSS.

Net Income

Net income increased by $23.5 million or 50.5 percent to $70.0 million from $46.5 million in 2004. The increase was primarily generated by: our conversion to a trust which reduced income tax expense for the second half of the year; the income generated by the acquisitions of NUS, Tenold, Payne and Schmidt; and to generally higher income in both segments. Net income as a percentage of revenue was 11.8 percent in 2005 compared to 9.9 percent in 2004.

NET INCOME
(as % of Revenue)



[1] restated

Segmented Results

($ Millions)	2005	2004	Change
Revenues	$	$	%
Oilfield Services	**338.7**	309.6	9.4
Trucking	**256.4**	163.7	56.6
Other and intersegment eliminations	**(3.4)**	(2.4)	
Total	**591.7**	470.9	25.7
Operating Income			
Oilfield Services	**78.4**	69.7	12.5
Trucking	**38.8**	23.5	65.1
Other	**(4.5)**	(1.1)	
Total	**112.7**	92.1	22.4

Oilfield Services Segment

The Fund provides the energy sector in western and northern Canada with a wide range of services related to the drilling for oil and natural gas, infrastructure development and capital projects. Energy companies generate their income from the sale of the commodities they produce and as such their decision to deploy capital is primarily dependent on the cash flows generated by the combination of production levels and commodity prices. On August 31, 2005 this segment was expanded by the acquisition of Schmidt. The services provided by the Fund in the Oilfield Services segment can generally be categorized as follows:

Rig Moving Services: dependent on oil and natural gas drilling activity in western and northern Canada.

- – Mullen Oilfield Services LP ("Mullen Oilfield")
- – FSJ L.A.N.D. Transport LP ("FSJ LAND")

Drilling Services: dependent on oil and natural gas drilling activity and core drilling for the oil sands industry.

- – OK Drilling Services LP ("OK Drilling")
- – Cora Lynn Drilling LP ("Cora Lynn")
- – Schmidt Drilling LP ("Schmidt") (Acquired August 31, 2005)

Production Services: dependent on transporting heavy oil and servicing heavy oil wells in western Canada.

- – E-Can Oilfield Services LP ("E-Can")
- – Heavy Crude Hauling LP ("Heavy Crude Hauling")

Specialized Services: dependent on major capital projects, big-inch pipeline work and water management services.

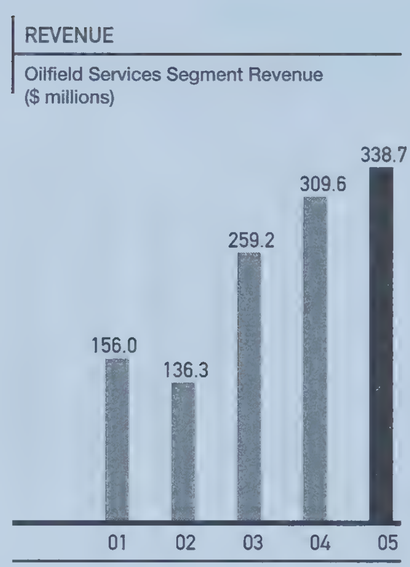
- – Premay Equipment LP ("Premay Equipment")
- – Premay Pipeline Hauling LP, Pe Ben Industries Company Ltd. collectively known as ("Premay Pipelines")
- – Northern Underwater Systems LP ("NUS") (Acquired October 1, 2004)
- – Pe Ben Oilfield Services LP ("Pe Ben") (Subsequently acquired January 12, 2006)

Mullen expected that there would be an increased demand for services supplied by its Oilfield Services segment as the expected high prices for oil and natural gas would generate incremental capital investment and drilling activity in western Canada. The high prices continued during 2005 leading to a record number of oil and gas wells drilled in western Canada. This activity generated improved results in our rig moving services. Specialized services also experienced increases in revenue from 2004 as it benefited from the October 1, 2004 acquisition of NUS and from increased demand for transportation services relating to continuing large investments in Alberta oil sands projects. Production services experienced a decline in revenue due to the termination of a major contract. All the businesses in the Oilfield Services segment operate in a competitive environment with competitors ranging from small local or regional businesses to large international companies.

Revenue

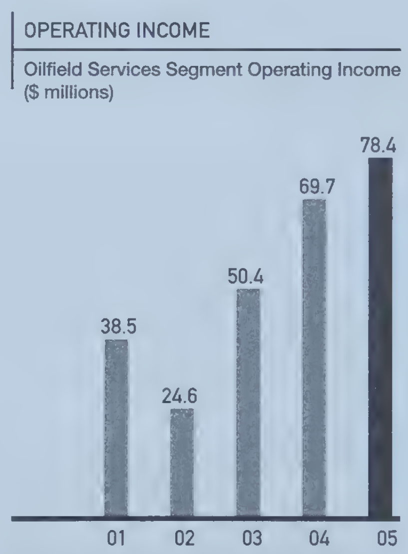
This segment represents approximately 57 percent of the pre-consolidated revenue for the year compared to 65 percent in 2004. Revenue in the Oilfield Services segment increased by $29.1 million or 9.4 percent to $338.7 million from $309.6 million in 2004. The increase was mainly due to the acquisitions of NUS and Schmidt. The segment also generated higher revenues from other services, the most notable being revenue from rig moving services which rose 21.1 percent due to the record drilling activity in western Canada of approximately 22,000 wells. The relative strong performance of rig moving services was due to improved margins and higher demand for the transportation of larger drilling rigs, a specialty of the segment.

In production services, E-Can and Heavy Crude Hauling had revenue decreases due to the business decisions not to renew or continue with low margin work. The specialized services businesses had increases in revenue in 2005 due to the acquisition of NUS and increased revenues from the transportation of heavy equipment and, to a lesser degree, increases in our pipeline services. Drilling services revenue increased due to the acquisition of Schmidt and the strength of our conductor setting business which was partially offset by a decline in the Cora Lynn business unit.



Direct Operating Expenses

Direct operating expenses include the costs for work done by contractors and direct operating expenses for Company Equipment. Total direct operating expenses were $227.2 million or 67.1 percent of revenue, compared to $210.6 million or 68.0 percent of revenue in 2004. This equates to a gross margin of 32.9 percent of revenue in 2005 compared to 32.0 percent in 2004. The margin improvement, while quite small in percentage terms, is due to margin improvements in all businesses. The sole exception was Cora Lynn, which had reduced revenue as a result of two large customers reducing their core drilling programs in the first quarter of 2005, higher operating costs and equipment modification costs in 2005 during the year, and less activity in December 2005 due to the unseasonably warm weather.



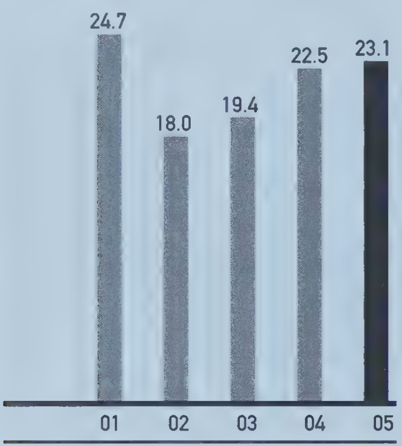
The major direct operating expenses for Company Equipment are wages, repairs, fuel and operating supplies. Wages decreased as a percent of revenue generated by Company Equipment as there was better utilization of equipment in rig moving and specialized services, offset by higher wages in drilling services. Repair and maintenance costs were higher on an absolute basis, but remained constant as a percent of revenue generated by Company Equipment. Fuel costs rose both on an absolute basis and as a percentage of revenue, reflecting the effect of higher fuel prices in 2005.

Selling and Administrative Expenses

Selling and administrative expenses were $33.2 million or 9.8 percent of revenue, up from $29.3 million or 9.5 percent of revenue in 2004. The $3.9 million increase is mainly due to increased profit share, a full year's administrative expenses for NUS, and four months of administrative expenses for Schmidt. The profit share increased as a percentage of revenue since it increases as the return on invested capital increases.

OPERATING INCOME

Oilfield Services Segment Operating Income (as a % of Revenue)



Operating Income

Operating income increased to $78.4 million or 23.1 percent of revenue, compared to $69.7 million or 22.5 percent of revenue in 2004. The increase in operating income is primarily due to the inclusion of a full year's results for NUS, the inclusion of four months of results for Schmidt, and to improved revenue and margins in the rig moving and specialized services businesses. These increases were offset by lower operating income(1) in production services and drilling services.

Capital Expenditures

The segment spent $19.8 million on new assets and disposed of $6.3 million of assets which were either redundant or required upgrading. The net capital expenditures of $13.5 million were mainly for upgrading existing field operating equipment. In 2004 net capital expenditures were $10.9 million. In addition to the normal capital expenditures, the Fund acquired $15.5 million of capital assets with the Schmidt acquisition, compared to the $6.6 million of equipment acquired with the 2004 acquisition of NUS. (See Note 3 of the 2005 Annuals).

Trucking Segment

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. In 2005, increased demand for freight services combined with capacity constraints led to higher margins in this segment due to both volume and price increases. Due to this positive environment, the Fund deployed more capital in the Trucking segment and acquired Tenold and Payne. The Fund subsequently acquired Pe Ben Bulk Transport Ltd. which will operate in the Trucking segment. The services provided by the Fund in the Trucking segment can generally be categorized as follows:

Dry Bulk Freight: dependent on construction and oil and gas drilling.
– Cascade Carriers LP ("Cascade")

LTL Freight: dependent on commercial activity in northern Alberta, British Columbia and Northwest Territories.
– Grimshaw Trucking LP ("Grimshaw")

Long-haul Freight: dependent on industrial activity in western Canada and trans-border commercial shipments between Canada, U.S. and Mexico.

– Mill Creek Motor Freight LP ("Mill Creek")

– Payne Transportation LP ("Payne") (Acquired June 14, 2005)

– Mullen Trucking LP ("Mullen Trucking")

–Tenold Transportation LP ("Tenold") (Acquired May 1, 2005)

The Trucking segment provides various types of trucking services in Canada, the continental U.S. and Mexico. Cascade operates primarily as a dry bulk transportation service for the construction and oil and natural gas industries in western Canada. There are many competitors, but the level of service provided to its largest customer has enabled Cascade to retain that business for many years. Cascade is also an "on demand" carrier for transporting anhydrous ammonia and liquid petroleum gas with specialized trailers. This service has many larger competitors and the work is seasonal as there is only a requirement for Cascade's service in the peak season.

Grimshaw is based in Edmonton, Alberta and provides less-than-truckload service to approximately 200 towns and cities in northern Alberta, British Columbia and the Northwest Territories. Revenue is affected by the level of commercial activity, which is partially driven by the number of major construction projects and the amount of oil and natural gas exploration activity. Grimshaw has many competitors, ranging from nationwide firms to smaller trucking firms, of which the majority do not offer the same area of service coverage as Grimshaw.

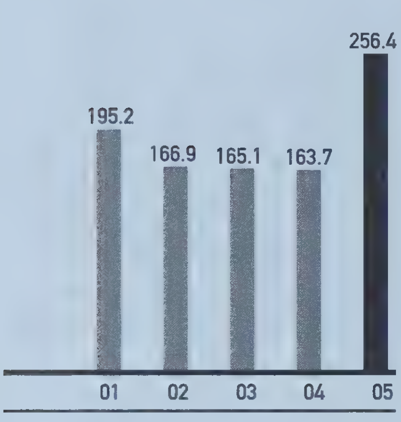
On June 14, 2005 the Fund acquired Payne. Mill Creek and Payne are long-haul carriers based in Cambridge, Ontario and Winnipeg, Manitoba respectively. Mill Creek provides shippers with expedited vanload services across Canada, the U.S. and Mexico while Payne provides shippers with vanload, flat-deck and refrigerated services across Canada and the U.S. Their revenue is dependent on the volume of consumer goods and office products, including furniture, computers and other electronic products being shipped by major suppliers. Mill Creek and Payne have many competitors, ranging from large national carriers to smaller local companies.

Mullen Trucking, which is based in Aldersyde, Alberta, provides a long-haul carrier service throughout Canada and the continental U.S. Mullen Trucking transports a wide range of products such as oilfield equipment, lumber, steel products, building materials, industrial equipment and heavy construction equipment such as bulldozers and graders. It has a wide variety of trailers, many of which are specialized to accommodate the diverse size of items being transported. Mullen Trucking has numerous competitors ranging from large international freight companies to smaller local companies.

On May 1, 2005 the Fund acquired Tenold. Tenold is a value-added transportation services company primarily providing long-haul, flatbed truckload and less-than-truckload services throughout Canada and the United States. Tenold also provides logistics, warehousing and distribution, and other non-transportation services such as cable cutting and reel services to its customers in the wire and cable, telephone, hydro and construction industries.

REVENUE

Trucking Segment Revenue
($ millions)



Revenue

This segment represents approximately 43 percent of the pre-consolidated revenue for the year compared to 35 percent in 2004. Revenue in the Trucking segment is earned by utilizing subcontractors, owner-operators, and Company Equipment. Revenue in the Trucking segment increased by $92.7 million or 56.6 percent to $256.4 million from $163.7 million in 2004. The increase was mainly due to the acquisitions of Tenold and Payne. Revenues of the segment's other businesses increased due to the strong economic activity in western Canada, driven by the high levels of construction and investments in the oil sands plants in Alberta. Revenue in this segment, particularly with Mullen Trucking, Mill Creek, Tenold and Payne, was modestly negatively affected by the decline in the value of the U.S. dollar, relative to the Canadian dollar, since some revenue is invoiced in U.S. dollars. This exchange rate variance resulted in a $1.5 million decline in revenue when compared to the 2004 average exchange rate.

Direct Operating Expenses

Direct operating expenses include the cost of contractors and the direct operating costs of Company Equipment. Contractors consist of subcontractors, who are hired on an "as-needed" basis, and owner-operators who are licensed through and work exclusively for the Fund. Contractors are paid either as a percentage of the load revenue or at a fixed rate per mile. The direct operating expenses increased to $190.8 million or 74.4 percent of revenue in 2005 from $122.0 million or 74.5 percent of revenue in 2004. This equates to a gross margin of 25.6 percent of revenue in 2005 compared to 25.5 percent in 2004. The slight gross margin decline is due to the lower margin business of Tenold and Payne that were offset by margin improvements in all other businesses in the segment.

Selling and Administrative Expenses

Selling and administrative expenses, consisting primarily of selling and administrative salaries, employee profit share and other administrative costs to support the operations, increased to $26.8 million or 10.5 percent of revenue from $18.3 million or 11.2 percent of revenue in 2004. The $8.5 million increase is mainly due to increased profit share and incremental administrative expenses for Tenold and Payne. The percentage decrease resulted from lower administrative expenses as a percentage of income attained by Tenold and Payne.

Operating Income

Operating income increased to $38.8 million or 15.1 percent of revenue, compared to $23.5 million or 14.4 percent of revenue in 2004. The $15.3 million increase is mainly due to improvements in existing business units, and to a lesser degree, additional operating income[1] from newly-acquired Tenold and Payne. The improvement in margin reflects operating improvements in each of the existing business units, partially offset by the lower margin but incremental business associated with Tenold and Payne.

Capital Expenditures

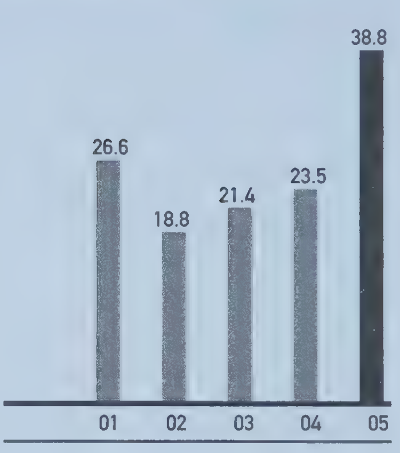
Gross capital expenditures for the segment in 2005 were $11.5 million and disposals were $2.0 million, resulting in net capital expenditures of $9.5 million. The net capital expenditures were mainly for upgrading existing trucks and trailers and for a new $2.5 million terminal in Winnipeg for Payne. This compares to $5.1 million of gross capital expenditures in 2004 and disposals of $3.8 million in 2004, for net capital expenditures of $1.3 million. In addition to the normal capital expenditures, the Fund acquired $9.5 million of PP&E in 2005 (2004 – $0) with the Tenold, Payne and Fridays acquisitions. (See Note 3 of the 2005 Annuals). The Fund's increased capital expenditures and acquisition of PP&E in this segment reflect management's view that improved returns on capital in this segment can be achieved.

Capital Resources and Liquidity

Funds from operations increased by 44.0 percent to $100.8 million from $70.0 million in 2004 or $2.18 per unit, compared to $1.55 per unit in 2004. The increase was due to higher income from operations and lower current income tax due to the trust structure.

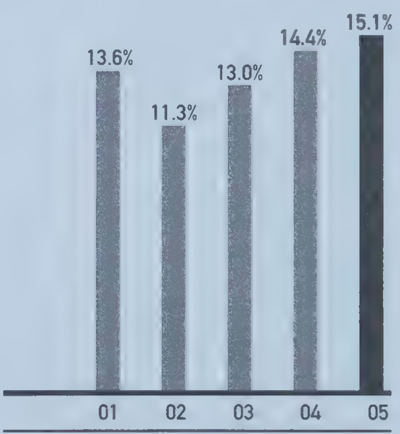
OPERATING INCOME

Trucking Segment Operating Income
($ millions)



OPERATING INCOME

Trucking Segment Operating Income
(as a % of Revenue)



Source and use of Cash

($ Millions)	
(Bank indebtedness, beginning of year	$ (1.9)
Funds provided from operations	100.8
Proceeds of long-term debt	10.4
Proceeds of common share issues	3.1
Proceeds of trust unit issues	9.1
Proceeds from equity investee	0.5
Total sources	123.9
Uses of cash:	
Changes in non-cash working capital items	(30.1)
Dividends paid	(3.8)
Distributions paid	(31.9)
Acquisitions	(46.2)
Net property, plant and equipment additions	(24.9)
Other assets	(3.5)
Investments	(0.1)
Total usage	(140.5)
Increase in bank indebtedness	(16.6)
Bank indebtedness assumed with acquisitions	(3.4)
Bank indebtedness, end of year	$ (21.9)

The funds from operations[1] of $100.8 million, which compares favourably to the $70.0 million in 2004, were supplemented by proceeds of $12.2 million from the issuance of common shares and Trust Units, which relates to the exercise of 171,050 stock options and the exercise of 1,006,618 trust options. The $0.5 million of proceeds from an equity invested relate to management fees received from MDIOS and BOSS. During the year the Fund's long-term debt increased by $12.4 million, due to loan proceeds of $10.4 million and the assumption of $2.0 million of long-term debt with the acquisition of Payne and Schmidt.

Cash was used to finance $30.1 million of non-cash working capital items. The Fund paid $3.8 million of dividends declared in 2004. The Fund paid monthly distributions of $0.135 per unit since its formation in July, 2005 for a total of $31.9 million in distributions paid during the year. The Fund invested a further $46.2 million of cash in acquisitions, acquiring Tenold, Payne, Schmidt and Fridays. (See Note 3 of the 2005 Annuals.)

Gross capital expenditures in 2005 were $32.8 million and disposals were $7.9 million, resulting in net capital expenditures of $24.9 million. Other assets of $3.5 million primarily relate to work-in-progress on new drilling equipment not yet capitalized and a loan to BOSS. (See Note 15 of the 2005 Annuals.) Investments of $0.1 million relate to professional fees associated with the January 2006 acquisition of Pe Ben.

Discretionary funds from operations(1) or funds generated from operations after net PP&E expenditures, increased to $75.9 million or $1.64 per unit, up substantially from $54.6 million or $1.21 per unit in 2004. The increase is due to increased funds from operations, partially offset by a $9.5 million increase in net capital expenditures in 2005. Discretionary funds are available on an after-tax basis to repay debt, pay distributions, or to pay for future acquisitions.

During the year the Fund increased its term loan facility to $100.0 million. Combined with a $40.0 million operating line of credit, the Fund has a total credit facility of $140.0 million and $45.5 million of working capital, to finance future activities. In January 2006, the Fund received $96.5 million in proceeds from issuance of 3.4 million Trust Units which were used to reduce debt and pay for the Pe Ben acquisition.

Contractual Obligations (See notes 8 and 13 of the 2005 Annuals)

($ Millions)		Maximum Payments		
	Total	1 Year	2 – 3 Years	4 – 5 Years
	$	$	$	$
Long-term debt	51.5	0.6	50.7	0.2
Operating leases	11.1	4.7	5.4	1.0

The Fund started the year with $39.2 million of long-term debt and assumed $2.0 million of long-term debt with the acquisitions of Payne and Schmidt. (See Note 3 of the 2005 Annuals). During the year, the Fund borrowed a further $10.4 million to exit 2005 with total long-term debt of $51.5 million. At year-end 2005, the Fund's debt-to-equity ratio was 0.22:1 compared to the ratio of 0.15:1 at the end of 2004. Note 8 of the 2005 Annuals provides additional information on the long-term debt.

Capital Expenditures

The Fund had net capital expenditures of $24.9 million, excluding the corporate acquisitions of Tenold, Payne, Schmidt and Fridays, which were $9.5 million higher than in 2004. Gross expenditures of $32.8 million, which includes $2.5 million for land and buildings; $20.8 million for trucks and trailers; and equipment and $9.5 million for automobiles, equipment and other capital items, were offset by $7.9 million of disposals. The $24.9 million of net capital expenditures was split among the Oilfield Services segment ($13.5 million), the Trucking segment ($9.5 million), and other ($1.9 million), which includes head office and non-segmented businesses.

Over the course of a business cycle we expect net capital expenditures to equal depreciation in order to sustain the business. In 2005, net capital expenditures exceeded depreciation by $3.7 million. In the last five years total net capital expenditures were $87.6 million compared to total depreciation of $84.6 million.

In 2005, the Fund also acquired $25.0 million of property, plant and equipment when it purchased Tenold, Payne, Schmidt and Fridays.

Acquisitions

During the year, the Fund acquired Tenold for $24.1 million; Payne for $9.9 million; Schmidt for $25.6 million; and Fridays for $0.8 million. The total consideration of $60.4 million was made up of cash consideration of $46.1 million; the issuance of 550,000 Trust Units for $12.0 million; and $2.3 million of earnings in equity investment. This compares to $10.0 million in consideration paid in 2004 for NUS. (See Note 3 of the 2005 Annuals.)

Unitholders' Capital

Unitholders' capital increased by $30.5 million in 2005. (See Note 10 of the 2005 Annuals). This reflects the exercise of 171,050 stock options (equivalent to 513,150 trust options) at an average exercise price of $22.50 (equivalent to $7.50 per trust unit) for proceeds of $3.9 million; the exercise of 1,006,618 trust options at an average exercise price of $10.10 for proceeds of $14.6 million; the issuance of 100,000 common shares for the Payne acquisition for $6.1 million; and the issuance of 250,000 Trust Units for the Schmidt acquisition for $5.9 million. During the year, the Fund granted 2,550,000 trust options at an average price of $20.66. On July 1, 2005 the Fund converted all outstanding common shares and stock options on a 3:1 basis for Trust Units, Trust Options or B Units. At December 31, 2005, the Fund had 37,760,207 Trust Units and 9,495,549 B Units outstanding with an issued value of $99.0 million.

Retained earnings increased by $31.8 million from December 31, 2004. The increase is due to the effect of $70.0 million of net income, less distributions of $38.2 million to unitholders. Return on unitholders' equity increased to 23.5 percent from 18.9 percent in 2004, with the increase due to increased earnings from operations, and a lower income tax rate. Net book value per unit increased to $6.91 in 2005 (2004 from $5.93).

Transactions with Related Parties

A summary of transactions with related parties is disclosed in Note 15 of the 2005 Annuals. All transactions were undertaken in the normal course of business under the same terms as transactions with unrelated entities except for the $10.8 million loan to BOSS. During the year, the Fund increased its loan to BOSS from $9.3 million to $10.8 million. Of this loan, $10.3 million is non-interest bearing. BOSS used the funds to acquire marine assets in northern Canada and finance operations.

Distributions

The declared distributions to unitholders were $38.2 million or $0.135 per unit per month since the inception of the trust on July 1, 2005 for aggregate declared distributions of $0.81 per unit. The declared distributions were less than the distributable cash[1] which amounted to $42.7 million for the six months ended December 31, 2005. The Fund had originally projected that the annualized payout ratio[1] would be approximately 75 percent; however, the funds from operations were higher than expected which resulted in a 66.9 percent payout ratio for the period July 1, 2005 to December 31, 2005.

Summary of Quarterly Results

The first quarter of the year traditionally has the highest revenue and net income. This is primarily due to the seasonality of a significant portion of the Fund's operations, which relate to core drilling, the moving of heavy equipment, the transportation of drilling rigs, and conductor pipe setting in northern and western Canada. The seasonality of the Fund's business follows the seasonal patterns of western Canada's oil and natural gas exploration which peaks in the winter months and declines during the spring thaw. The spring frost comes out of the ground, making roads incapable of supporting heavy equipment and difficult to drill for oil and natural gas. As a result, demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

Summary of Quarterly Results

($ thousands except per unit amounts)	2005 Q1	2005 Q2	2005 Q3	2005 Q4
	$	$	$	$
Revenue	176,174	114,237	140,602	160,715
Operating income	44,034	12,073	24,555	32,055
Restructuring costs	–	4,248	139	–
Net Income	25,985	3,191	16,128	24,659
Earnings per unit – basic	0.57	0.07	0.34	0.52
– diluted	0.57	0.07	0.34	0.52
Funds from operations	31,622	12,014	25,192	31,943
Funds from operations per unit	0.70	0.26	0.54	0.68

	2004 Q1	2004 Q2	2004 Q3	2004 Q4
	$	$	$	$
Revenue	159,473	91,157	100,242	119,988
Operating income	40,201	12,990	15,952	22,932
Net Income	22,811	5,146	7,063	11,457
Earnings per unit – basic	0.51	0.11	0.16	0.25
– diluted	0.50	0.11	0.15	0.25
Funds from operations	31,274	10,821	13,715	14,157
Funds from operations per unit	0.70	0.24	0.30	0.32

Revenues in 2005 were higher in each quarter than in 2004. This increase in revenue is due to a combination of factors. The oil and gas industry continued to benefit from higher commodity pricing providing producers with record cash flows, a significant portion of which they invested in drilling programs and capital projects. As a result, our Oilfield Services segment turned in another solid year and a strong first quarter in particular. The acquisition of NUS in October 2004,

contributed incremental revenue to all quarters in 2005 and the acquisition of Schmidt on August 31, 2005 contributed to increased revenue in the third and fourth quarters. The Trucking segment benefited from stronger demand for its services and contributed increased revenues the entire year. The acquisitions of Tenold and Payne contributed positively to the results of the second quarter and quarters thereafter. These increases were offset by a decline in production services' revenue due to the loss of a contract with a customer on June 1, 2005. Operating income was higher in each quarter in 2005 with the exception of the second quarter which was negatively impacted by one-time restructuring costs of $4.4 million associated with the trust conversion.

Fourth Quarter Results

	Three Months Ended December 31 (Unaudited)		
($ Millions, except per unit amounts)	2005	2004	Change
	$	$	%
Revenue	**160.7**	120.0	33.9
Operating income	**32.0**	23.0	39.1
Net income	**24.7**	11.5	114.8
Earnings per unit – basic	**$ 0.52**	0.25	108.0
Funds from operations	**32.0**	14.2	125.4
Funds from operations per unit	**$ 0.68**	0.31	119.4

Revenue

Consolidated revenue in the fourth quarter was $160.7 million, up $40.7 million or 33.9 percent from $120.0 million in 2004. Most of the increase occurred in the Trucking segment, which increased by $30.7 million due to revenue generated by Tenold and Payne which were acquired in the second quarter of 2005. The Oilfield Services segment increased by $9.4 million, which reflects the additional revenue generated by Schmidt, which was acquired on August 31, 2005.

Direct Operating Expenses

Direct operating expenses increased by $27.5 million to $112.4 million, from $84.9 million in 2004. These costs increased due to the costs associated with increased revenue. Included in the direct operating costs are contracting costs which increased by $18.7 million, mainly due to the contracting costs of Tenold and Payne, which use contractors to handle most of their customers' freight. Direct operating expenses related to Company Equipment increased by $8.8 million. These increased costs were mainly associated with the revenue earned by Schmidt, Tenold and Payne; and to costs associated with increased revenue in other business units.

Selling and Administrative Expenses

Selling and administrative expenses increased to $16.3 million from $12.2 million in 2004. The increase was primarily due to both increased profit share and the administrative costs of Payne, Tenold and Schmidt, which added $2.6 million in selling and administrative expenses.

Operating Income

As a result of the increased revenues from the 2005 acquisitions and increases in certain other business units, the operating income increased to $32.0 million, a $9.0 million increase from 2004. Operating income, as a percent of revenue, increased to 19.9 percent, up slightly from the 19.2 percent in 2004. This reflects improved margins in the Oilfield Services segment. Margins in the Trucking segment were similar to 2004.

Net Income

($ Millions, except per unit amounts)	2005	2004	Change
	$	$	%
Income before income tax and earnings from equity investments	**25.2**	17.3	45.7
Net Income	**24.7**	11.5	114.8
Earnings per unit – basic	**0.52**	0.25	108.0

Income on a pretax basis increased to $25.2 million, from $17.3 million due to better margins and higher revenue. Net income increased to $24.7 million, up $13.2 million from 2004. As a trust we expect current income tax to be lower due to the flow of taxable income to unitholders. The total tax decline was accentuated by an unusual transaction which resulted in a $3.6 million reduction of previously recorded future income tax relating to Tenold Transportation Inc. This resulted in income tax being lowered to 1.4 percent of pretax income for the quarter. Earnings per unit increased by 108.0 percent to $0.52, versus $0.25 in 2004.

Segmented Information

	Three Months Ended December 31 (Unaudited)		
($ Millions)	2005	2004	Change
Revenues	$	$	%
Oilfield Services	**87.2**	77.8	12.1
Trucking	**73.8**	43.1	71.2
Other	**0.3**	0.1	
Intersegment eliminations			
Oilfield Services	**(0.2)**	(0.8)	
Trucking	**(0.4)**	(0.2)	
Total	**160.7**	120.0	33.9
Operating Income			
Oilfield Services	**21.3**	16.5	29.1
Trucking	**10.7**	6.2	72.6
Other	**–**	0.3	
Total	**32.0**	23.0	39.1

Oilfield Services Segment

Revenue

This segment generated approximately 54 percent of the pre-consolidated revenue in the quarter, down from 64 percent in 2004 due to the continued growth of the Trucking segment, which had increased revenue due to the Tenold and Payne acquisitions. Revenue increased by $9.4 million to $87.2 million from the prior year's $77.8 million due to increased overall demand for services and the addition of Schmidt in August 2005. The increased revenue in drilling, rig moving and specialized services was partially offset by a decline in revenue in production services due to the loss of a major customer in June 2005.

Direct Operating Expenses

Direct operating expenses increased by $4.3 million, or 8.0 percent, to $58.1 million from $53.8 million. Included in direct operating expenses are contract costs which declined to $22.7 million from $24.5 million in 2004. The decline reflected reduced use of contractors by production services due to the decreased revenue, which was primarily generated by subcontractors. The overall margin on revenue earned by contractors increased to 28.2 percent, up from 24.2 percent in 2004, as there was less low margin revenue in production services. Direct operating costs relating to Company Equipment increased by $6.1 million, primarily due to the inclusion of Schmidt, and to costs associated with the revenue generated by Company Equipment in other business units. The total direct operating costs were 66.2 percent of revenue, an improvement from the 69.2 percent in 2004 as the segment had better pricing and equipment utilization.

Selling and Administrative Expenses

Selling and administrative expenses increased by $0.4 million to $7.9 million from $7.5 million. The increase was due to the inclusion of Schmidt and higher salaries, offset by lower segmented employee profit share expense. Selling and administrative expenses were 9.0 percent of revenue, down from 9.6 percent in 2004.

Operating Income

Operating income increased by $4.8 million to $21.3 million, up 29.1 percent from the $16.5 million in 2004. This reflects the effect of the Schmidt acquisition, and improved earnings in rig moving and specialized services, which were partially offset by decreased earnings in drilling services, (due to unseasonably warm weather in the fourth quarter and higher repairs and maintenance costs), and in production services. The operating margin was 24.4 percent of revenue, up from 21.2 percent, reflecting better pricing and less low margin business.

Trucking Segment

Revenue

Revenue in the Trucking segment was approximately 46 percent of pre-consolidated revenue, up from 36 percent in 2004. Revenue increased to $73.8 million, up 71.2 percent from the $43.1 million in 2004. Most of the increase was due to the revenue generated in Tenold and Payne, which were acquired in the second quarter of 2005, as well as increases in all the other business units, due to the continued strong demand for the segment's services.

Direct Operating Costs

Total direct operating costs increased to $55.6 million, up $23.3 million from the $32.3 million in 2004. The majority of the increase is associated with the Payne and Tenold acquisitions, and the remainder is associated with the costs related to the increased revenue in the other businesses. Contracting costs increased by $20.1 million to $38.5 million, up from $18.4 million in 2004. Most of the increase relates to Tenold and Payne, which use contractors to provide most of their service. Contractor costs were 76.8 percent of revenue generated by contractors, compared to 76.1 percent in 2004. The increase reflects the lower margin businesses of Tenold and Payne. Direct operating costs relating to revenue earned by Company Equipment increased to $17.0 million, up from $13.8 million in 2004. These increases relate to increased revenues earned by Company Equipment. In total, the direct operating costs were 75.3 percent of revenue up from 75.0 percent in 2004.

Selling and Administrative Expenses

Selling and administrative expenses increased by $2.9 million to $7.6 million, up from $4.7 million in 2004. The increase is mainly due to administrative costs associated with Tenold and Payne and to increased salaries in the other business units.

Operating Income

Operating income increased by $4.5 million or 72.6 percent to $10.7 million from $6.2 million in 2004. The increase was due to Tenold and Payne, and to increases in the other business units due to revenue increases and improved pricing. As a percent of revenue, the operating margin increased to 14.5 percent from 14.4 percent, which reflects improved margins in pre-existing business units, offset by the lower margin businesses of Payne and Tenold.

Capital and Liquidity

Funds provided from operations, before non-cash working capital items, was $32.0 million, or $0.68 per unit, up from $14.2 million or $0.31 per unit in 2004. These funds are available to pay scheduled debt repayments, pay net expenditures on property, plant and equipment, and for distributions to unitholders.

Distributable Cash and Cash Distributions

($ millions, except per unit amounts)	Three Months Ended December 31, 2005
Funds from operations before changes in non-cash working capital items	31,9
Scheduled debt repayment	(0.4)
Net capital expenditures	(4.2)
Distributable cash	27.3
Cash distributions declared	19.1
Surplus of cash available for distribution	8.2

	Six Months Ended December 31, 2005
Accumulated cash distributions	
Beginning of period	–
Cash distributions declared in the period	38.2
End of period	38.2
Funds from operations per unit	$ 1.21
Cash distributions declared per unit	$ 0.81
Cash distributed as a percent of funds flow (payout ratio)	66.9%

Distributions declared for unitholders were $19.1 million in the quarter, which was $8.2 million less than the $27.3 million of distributable cash. The payout ratio for the first six months as a trust was 66.9 percent.

Sources and Use of Cash – Fourth Quarter

($ millions)	
Bank indebtedness-beginning of period	(9.4)
Sources	
Funds generated from operations	32.0
Uses of Cash	
Acquisitions	(0.9)
Funding of non cash working capital items	(17.6)
Repayment of long term debt	(0.4)
Cash distributions to unit holders	(19.1)
Net property, plant and equipment additions	(4.2)
Other assets	(2.2)
	(44.4)
Increase in bank indebtedness	(12.4)
Ending bank indebtedness	21.8

The $32.0 million funds from operations, supplemented by the $12.4 million increase in bank indebtedness, were used to finance the $17.6 million of non-cash working capital requirements; pay for a small acquisition; finance capital expenditures; acquire other assets; and fund the $19.1 million of distributions to unitholders.

Capital Expenditures

In the fourth quarter the Fund had net capital expenditures of $4.2 million which were mainly for new trucks, trailers and equipment.

Business Risks

General

Certain activities of the Fund are affected by factors that are beyond its control or influence. The transportation business and activities of the Fund are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States. The Oilfield Services business is directly affected by fluctuations in the levels of exploration, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies.

Service Industry Conditions

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. Oil and gas producers and explorers tend to

examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect those factors. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for the Fund's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the Fund's Oilfield Services segment, results of operations and financial condition. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which the Fund has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in transportation rates or contractual surcharges, or disruptions in fuel supply, would reduce profitability and could adversely affect the Fund's ability to maintain distributions. The Fund cannot predict the impact of future economic conditions and there is no assurance that the operations of the Fund will continue to be profitable.

Fuel Prices

One of the Fund's largest operating expenses is fuel and as such higher fuel prices could materially affect the Fund's results. The Fund manages this exposure to rising costs through the implementation of a fuel surcharge program which passes on the increases to its customers. As a result, fuel expense, net of fuel surcharge, remained essentially constant as a percentage of revenue.

Credit Risk

Substantial portions of the Fund's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. The Fund's top ten customers are all well-known, publicly-traded companies.

Competition

The various business segments in which the Fund participates are highly competitive. The Fund competes with several large companies in the transportation and energy services industry that have greater financial and other resources than the Fund. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Fund or that new competitors will not enter the various markets in which the Fund is active. In certain aspects of its business, the Fund has competitive advantages such as lower overhead costs and specialized regional strengths.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of the Fund to compete and expand will be dependent on the Fund having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although the Fund has individual distribution

agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, the Fund's ability to compete may be impaired. The Fund is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers come to an end, the availability and cost of securing certain equipment and parts may be adversely affected.

Changes in Legislation

There can be no assurance that income tax laws, such as the status of mutual fund trusts and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry, will not be changed in a manner which adversely affects unitholders.

Environmental and applicable operating legislation may be changed in a manner which adversely affects unitholders.

Unitholder Limited Liability

The declaration of trust provides that no unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and, in the event that a court determines unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Fund's assets. Pursuant to the declaration of trust, the Fund will indemnify and hold harmless each unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a unitholder resulting from or arising out of such unitholder not having such limited liability.

The declaration of trust provides that all written instruments signed by or on behalf of the Fund must contain a provision to the effect that obligations under those instruments will not be binding upon unitholders personally. Personal liability may however arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

The Income Trusts Liability Act (Alberta) came into force on July 1, 2004. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force. However, this legislation has not yet been ruled on by the courts.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the unitholders for claims against the Fund, including by obtaining appropriate insurance, where available and to the extent commercially feasible.

Mutual Fund Trust Status

It is intended that the Fund qualify at all times as a mutual fund trust for the purposes of the Tax Act. The Fund may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the

status of the Fund as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Fund and unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- Where at the end of any month a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan ("RESP") or deferred profit sharing plan (collectively, "Exempt Plans") holds Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1 percent of the fair market value of the Units at the time such Units were acquired by the Exempt Plan. An RRSP or RRIF holding Units that are not qualified investments would become taxable on income attributable to the Units while they are not qualified investments (including the entire amount of any capital gain arising on a disposition of the non-qualified investment). RESPs which hold Units that are not qualified investments may have their registration revoked by the CRA;
- the Fund would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain unitholders, including non-resident persons and residents of Canada who are exempt from Part I tax;
- the Fund would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws; and
- Units would become taxable Canadian property. As a result, non-resident unitholders would be subject to Canadian income tax on any gains realized on a disposition of Units held by them, subject to relief under an applicable tax convention. In addition, the Fund may take certain measures in the future to the extent the Fund believes such measures are necessary to ensure the Fund maintains its status as a mutual fund trust. These measures could be adverse to certain holders of Units.

Non-resident Ownership of Units

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the Tax Act. Proposed amendments to the Tax Act originally published by the Minister of Finance on March 22, 2004 were to provide that after December 31, 2004, the Fund must continuously ensure that not more than 50 percent of its issued Units are held by non-residents of Canada or partnerships (other than "Canadian partnerships" as defined in the Tax Act). These proposals were not included in the Notice of Ways and Means Motion tabled by the Minister of Finance on December 6, 2004 and the Minister of Finance has indicated that further discussions are to be held with the private sector on the appropriate tax treatment for non-residents investing in resource property through mutual funds. In the Budget Statement dated February 25, 2005, the Minister of Finance indicated that a consultation paper on these issues would be released shortly. The declaration of trust provides that if at any time the Fund or MGI becomes aware that the activities of the Fund and/or ownership of Units by non-residents may threaten the status of the Fund under the Tax Act as a "unit trust" or a "mutual fund trust", the Fund, by or through MGI on the Fund's behalf, is authorized to take such action as

may be necessary in the opinion of MGI to maintain the status of the Fund as a "unit trust" or a "mutual fund trust". See "declaration of trust and Description of Units – Limitation on Non-Resident Ownership" in the Arrangement Circular.

Income Tax Matters

Generally, income trusts (including the Fund) involve significant amounts of inter-company debt, royalties or similar instruments, generating substantial interest expense or other deductions which serve to reduce taxable income and income tax payable. Although the Fund is of the view that all expenses to be claimed by the Fund, MHT, MCLP and MTI will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties will have been correctly determined, there can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense and other deductions. If such a challenge were to succeed it could materially adversely affect the amount of distributions available to the Fund. The Fund and MGI believe that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the MHT Notes and certain debt issued by MTI to MCLP.

Employees and Labour Relations

The success of the Fund is dependent upon the Fund's key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Fund. The ability of the Fund to expand its services will be dependent upon the Fund's ability to attract additional qualified employees which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse affect on the profitability of the Fund.

The largest components of the Fund's overall expenses are salary, wages, benefits and costs of subcontractors. Any significant increase in these expenses could impact the financial results of the Fund. In addition, the Fund is at risk if there are any labour disruptions. Some of the Fund's business units are subject to collective agreements with their employees. Any work stoppages or unbudgeted or unexpected increases in compensation could have a material adverse affect on the Fund's profitability and reduce cash available for distribution to unitholders.

The Fund believes that it has fostered a positive working relationship with its employees and contractors. By creating a positive working environment, built on the tenets of quality, and by providing incentive-based profit share the Fund believes its ability to attract and retain drivers is higher than the rest of the industry.

Environmental Liability Risks

Certain of the Fund's subsidiaries routinely deal with natural gas, oil and other petroleum products. The Fund has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Fund's procedures will prevent environmental damage occurring from spills of materials handled by the Fund or that such damage has not already occurred.

Canadian laws generally impose potential liability to the present or former owners or occupants of properties on which contamination has occurred. Although the Fund is not aware of any contamination which, if remediation or clean up were required would have a material adverse effect on the Fund, there can be no assurance that the Fund will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws.

Potential Operating Risks and Insurance

The Fund has an insurance and risk management program in place to protect its assets, operations and employees. The Fund also has programs in place to address compliance with current safety and regulatory standards. The Fund has a health and safety coordinator in each operating subsidiary responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Vice President, Safety and Loss Prevention of MGI, who reports directly to the Co-Chief Executive Officers of MGI. However, the Fund's Oilfield Services operations are subject to risks inherent in the oil and gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose the Fund to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. In addition, the Fund's transportation operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other things, personal injury or property damage arising from motor vehicle accidents.

Although the Fund has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Fund's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Fund were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Fund were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Capital Expenditures

The timing and amount of capital expenditures by the Fund will directly affect the amount of cash available for distribution to unitholders. The cost of equipment has escalated over the past several years as a result of, among other things, more stringent emission controls and high input costs. There is no assurance that the Fund will be able to recover higher capital costs through rate increases to its customers, and in such event, cash distributions may be reduced.

Reliance on Major Customers

The top 10 customers of the Fund accounted for approximately 44.1 percent of the Fund's revenue for the year ended December 31, 2005 and the largest customer accounted for approximately 10.8 percent of such revenue. There can be no assurance that the Fund's current customers will continue their relationships with the Fund. The loss of one or more major customers, or any significant decrease in transportation services or oilfield services provided to a customer, prices

paid, or any other changes to the terms of service with customers, could have a material adverse effect on the profitability of the Fund, and as a result, the amount of cash available for distribution to unitholders.

Regulation

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry; each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. Changes in regulations applicable to the Fund could increase operating costs and have a material adverse effect on the Fund's operations and financial condition.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although the Fund is committed to compliance and safety through its operational excellence initiatives, there is no assurance that the Fund will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, the Fund could be required to incur significant costs to maintain or improve its compliance record.

Access to Additional Financing

The Fund may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Fund when needed or on terms acceptable to the Fund which could limit the Fund's growth and may have a material adverse effect upon the Fund.

Interest Rates

The Fund also has a risk of increased interest rates. At December 31, 2005 it had $69.2 million of bank-term debt financed at floating rates. While these rates are below what would be paid at fixed rates, there is a risk of interest rates rising. The short-term expectation is that Canadian interest rates will rise modestly. The Fund used proceeds from the issuance of 3.4 million Trust Units on January 12, 2006 to repay $64.4 million of floating debt.

Foreign Exchange

The Fund faces some foreign exchange risk if the Canadian dollar rises in value against the U.S. dollar, as it generates excess U.S. dollars. The Fund reduces this risk by matching U.S. dollar revenues with U.S. dollar expenses. In 2005 it estimated the strengthening of the Canadian dollar resulted in a $1.5 million loss of revenue in the Trucking segment.

Weather and Seasonality

Harsh weather conditions can impede the movement of goods and increase the operating costs for the materials that can be transported, which can have a material adverse effect on the Fund's cash flow and, as a result, cash available for distribution to unitholders.

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Fund. The Fund mitigates some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Fund makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that the Fund can focus its efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of the Fund.

Critical Accounting Estimates

The Fund has to make several critical accounting estimates as detailed below:

(1) Depreciation

The method of calculating depreciation expense, as noted in note 1(c) of the 2005 Annuals, is an estimate. The Fund considers its method and rates of depreciation reasonably reflect the annual decline in the value of PP&E. These methods and rates used are validated by the fact that net gains or losses on sale of PP&E over the last 10 years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time.

(2) Goodwill

On an annual basis, the Fund assesses the goodwill for impairment. See note 1(e) of the 2005 Annuals. In 2005 the assessment determined there was no impairment of goodwill.

(3) Bad Debt Expense

The Fund routinely reviews accounts receivables and sets up a reserve for bad debts on a customer-by-customer basis. This is an estimate as some of the reserved accounts may be collected whereas we may subsequently find that

some accounts currently deemed collectible, become uncollectible. The Fund considers the allowance of $1.2 million at the end of December 31, 2005 to be reasonable.

(4) Unit-based Compensation (see notes 1 (h), 2 (a), 10 (d), 10 (e) and 11 of the 2005 Annuals).

On January 1, 2004 the Fund adopted, on a retroactive basis, the new Canadian accounting standards that apply to the fair value method of all stock-based or unit-based payments and awards. The adoption of the standard reduced net income in 2005 by $4.0 million or $0.09 per unit and $2.0 million or $0.04 per unit in 2004.

(5) Asset Retirement Obligations

The Fund is required annually to calculate and record any asset retirement obligations. At this time the Fund does not believe it has any asset retirement obligations of any significance.

(6) Disposal of Long-lived Assets and Discontinued Operations

PP&E is believed to approximate fair market value at the year end and at this time the Fund does not believe that it would have any material losses on any subsequent disposals. The Fund also has no plans to discontinue any operations at this time.

Financial Instruments

See Note 16 of the 2005 Annuals. The Fund does not have any other financial instruments other than those disclosed in notes 8, 13 and 16 of the 2005 Annuals.

Outlook

2005 was an another successful year for the Fund with revenue, operating income, and net income reaching record levels, reflecting the continued growth in most business units accompanied by the acquisitions of Tenold, Payne, Schmidt and Fridays. The Fund believes that 2006 is shaping up to be another good year as oil and gas prices are forecasted to remain high, which will create continued demand in oil and gas drilling. However, management is well aware that commodity prices can be volatile and as a result the energy services industry can be extremely cyclical particularly in the short term.

Capital investments in western Canada, most notably in the development of the oil sands, are expected to remain strong and will, in management's view, keep the economy growing at rates consistent with that of 2005, benefiting both the Oilfield Services and Trucking segments. We are not as optimistic about growth prospects for eastern Canada due to the rise in the Canadian dollar which is negatively impacting the manufacturing sector. As such, Mill Creek's business will have difficulty growing in 2006.

The Fund enters 2006 with a conservative balance sheet, which was strengthened by the $96.5 million in proceeds from the issuance of 3.4 million Trust Units in January 2006. The Fund is well positioned to fund added capital expenditures or further acquisitions. On January 12, 2006, the Fund acquired Pe Ben and expects to continue its strategy of making accretive acquisition in 2006 as opportunities arise.

Assuming the Producers transaction is approved, the merger/acquisition of Producers significantly enhances the Fund's exposure to oil and gas drilling activity in western Canada. Management will be focused on integrating various business units acquired as a result of this transaction as well as capitalizing on the potential synergies.

As an income trust, the Fund can distribute its pre-tax cash flow to the unitholders. Based upon current information, the Fund expects to maintain the previously announced distribution of $0.15 per unit per month throughout 2006.

Glossary of Terms and Reconciliation of Non-GAAP terms

The 2005 Annuals referred to are prepared according to GAAP. References to operating income, funds from operations, discretionary funds from operations, distributable funds, and return of invested capital are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors should be cautioned that these indicators should not replace net earnings as an indicator of GAAP performance.

Discretionary Funds from Operations

Discretionary funds from operations are funds from operations, less PP&E additions, plus proceeds on the sale of PP&E.

Calculation of Discretionary Funds from Operations

($ thousands)

Years ended December 31, 2005 and 2004	2005	2004
	$	$
Funds provided from operations	**100,771**	69,967
Add/(less):		
Property, plant and equipment additions	**(32,790)**	(20,479)
Proceeds on sale of equipment	**7,916**	5,125
Discretionary funds from operations	**75,897**	54,613

Distributable Cash

Distributable cash is defined as funds from operations before non-cash working capital items, less scheduled debt repayments and net capital expenditures.

Calculation of Distributable Cash

($ thousands)	Six months ended December 31, 2005	**Year ended December 31, 2005**
	$	$
Funds from operations	57,135	**100,771**
Less:		
Scheduled debt repayment	(291)	**(315)**
Net capital expenditures	(14,138)	**(24,874)**
Distributable cash	42,706	**75,582**

Had the Fund been a trust for the entire year, its distributable cash would have increased by the amount of income tax reduction that would have occurred under this tax-effective structure.

Funds from Operations

Funds from operations is defined as cash provided by operations before changes in non-cash working capital items.

Reconciliation of Net income to Funds from Operations

($ thousands)

Years ended December 31, 2005 and 2004	**2005**	2004
	$	$
Net income	**69,963**	46,477
Items not involving cash:		
Depreciation and amortization	**22,490**	19,871
Unit-based compensation	**330**	–
Stock-based compensation	**3,660**	1,955
(Gain) loss on sale of equipment	**(214)**	749
Future income taxes	**4,933**	1,735
Earnings from equity investments	**(391)**	(820
Funds from operations	**100,771**	69,967

Funds from Operations per Unit

Funds from operations per unit is calculated by dividing funds from operations by the weighted average number of units outstanding.

Calculation of Discretionary Funds from Operations

($ thousands except per unit amounts)

Years ended December 31, 2005 and 2004	2005	2004
	$	$
Funds provided from operations	**100,771**	69,967
Weighted number of units outstanding	**46,261,000**	45,024,000
Funds from operations per unit	**$ 2.18**	$ 1.55

Growth Capital Expenditures

Growth capital expenditures are capital expenditures required to expand the business.

Operating Income

Operating income is defined as net income before interest, income taxes, depreciation, and amortization, earnings from equity investments, and gains or losses on the sale of property, plant and equipment. Operating income is a useful supplemental measure as it provides an indication of the results generated by the Fund's principal business activities prior to depreciation, financing, or taxation in various jurisdictions. The Fund's method of calculating operating income may differ from other companies and therefore may not be comparable.

Reconciliation of Net Income to Operating Income

($ thousands)

Years ended December 31, 2005 and 2004	2005	2004
	$	$
Net income	**69,963**	46,477
Add:		
Earnings from equity investments	**(391)**	(820)
Provision for income taxes	**18,950**	23,776
(Gain) loss on sale of equipment	**(214)**	749
Other interest	**66**	157
Interest on long-term debt	**1,853**	1,865
Depreciation and amortization	**22,490**	19,871
Operating income	**112,717**	92,075

Payout Ratio

Payout ratio is calculated as distributions per unit divided by the funds from operations per unit.

Calculation of Payout Ratio	Six months ended December 31, 2005	**Year ended December 31, 2005**
Funds from operations per unit	$ 1.21	**$ 2.18**
Cash distributions declared per unit	$ 0.81	**$ 0.81**
Payout ratio	66.9%	**37.2%**

Return on Invested Capital

Return on Invested Capital ("ROIC") is calculated by dividing earnings before interest and taxes by the total of the long-term debt and equity at the beginning of each year.

Calculation of Return on Invested Capital

($ thousands)

Years ended December 31, 2005 and 2004	**2005**	2004
Net Income	**$ 69,963**	$ 46,477
Add:		
Provision for income taxes	**18,950**	23,776
Interest on long-term debt	**1,853**	1,865
Other interest	**66**	157
Return	**$ 90,832**	$ 72,275
Long-term debt at beginning of year	**$ 39,176**	$ 73,584
Equity at beginning of year	**267,975**	224,333
Total capital	**$ 307,151**	$ 297,917
Return on Invested Capital (Return divided by Total Capital)	**29.6%**	24.3%

Restated Amounts

a) Restated amounts or percentages for years 2003 and 2002 ("restated") reflect the retroactive adoption of the new Canadian accounting standards that apply to the fair value method of all stock-based payments and awards.

b) Certain amounts for the years 2004, 2003 and 2002 are restated to account for the effect of converting each share to a total of three Trust Units or B units.

February 22, 2006

Mullen Group
INCOME FUND

2005 CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004

(in thousands of dollars)	2005	2004
Assets		
Current assets:		
Accounts receivable	**$ 112,521**	$ 78,187
Income taxes recoverable	**2,815**	–
Prepaid expenses	**13,453**	11,650
	128,789	89,837
Investments (note 4)	**6,628**	8,539
Property, plant and equipment (note 5)	**218,357**	189,436
Goodwill	**131,344**	101,085
Other assets (note 6)	**23,501**	11,812
	$ 508,619	$ 400,709
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	**$ 21,867**	$ 1,907
Accounts payable and accrued liabilities	**54,464**	47,300
Income taxes payable	**–**	3,061
Distributions payable	**6,380**	–
Dividends payable	**–**	3,765
Current portion of long-term debt (note 8)	**549**	34
	83,260	56,067
Long-term debt (note 8)	**50,985**	39,142
Future income taxes	**46,502**	37,525
Unitholders' equity:		
Unitholders' capital (note 10)	**98,991**	68,525
Contributed surplus (note 11)	**330**	2,618
Retained earnings	**228,551**	196,832
	327,872	267,975
Commitments and contingencies (note 13)		
	$ 508,619	$ 400,709

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Murray K. Mullen, Director

Bruce W. Simpson, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended December 31, 2005 and 2004

(in thousands of dollars, except per unit amounts)	2005	2004
Revenue	$ 591,728	$ 470,860
Expenses:		
Direct operating	411,893	328,853
Selling and administrative	67,118	49,932
	112,717	92,075
Depreciation and amortization	22,490	19,871
Interest on long-term debt	1,853	1,865
Other interest	66	157
(Gain) loss on sale of equipment	(214)	749
Income before income taxes and earnings from equity investments	88,522	69,433
Provision for income taxes (note 9):		
Current	14,017	22,041
Future	4,933	1,735
	18,950	23,776
Income before earnings from equity investments	69,572	45,657
Earnings from equity investments	391	820
Net income	$ 69,963	$ 46,477
Retained earnings, beginning of year	$ 196,832	$ 157,877
Dividends	–	(7,522)
Distributions to unitholders	(38,244)	–
Retained earnings, end of year	$ 228,551	$ 196,832
Earnings per unit (note 12):		
Basic	$ 1.51	$ 1.03
Diluted	$ 1.51	$ 1.02
Weighted average number of units outstanding:		
Basic	46,261	45,024
Diluted	46,322	45,420

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2005 and 2004

(in thousands of dollars)	2005	2004
Cash provided by (used in):		
Operations:		
Net income	$ 69,963	$ 46,477
Items not involving cash:		
Depreciation and amortization	22,490	19,871
Unit-based compensation	330	–
Stock-based compensation	3,660	1,955
(Gain) loss on sale of equipment	(214)	749
Future income taxes	4,933	1,735
Earnings from equity investments	(391)	(820)
Funds provided from operations	100,771	69,967
Changes in non-cash working capital items	(30,105)	36
	70,666	70,003
Financing activities:		
Change in bank indebtedness	16,616	1,304
Proceeds (repayment) of long-term debt	10,370	(34,650)
Proceeds of common share issues	3,146	2,732
Issuance of trust units	9,055	–
Dividends paid	(3,765)	(6,738)
Distributions paid	(31,864)	–
	3,558	(37,352)
Investing activities:		
Acquisitions (note 3)	(46,155)	(10,004)
Property, plant and equipment additions	(32,790)	(20,479)
Proceeds on sale of equipment	7,916	5,125
Cash distribution from equity investee	494	117
Investments	(150)	500
Other assets	(3,539)	(7,910)
	(74,224)	(32,651)
Change in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –
Supplemental cash flow information:		
Interest paid	$ 1,919	$ 2,022
Income taxes paid	$ 19,833	$ 23,725

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2005 and 2004

(Tabular amounts stated in thousands of dollars except per unit amounts)

1. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(a) Basis of presentation

Mullen Group Income Fund ("Mullen" and/or the "Fund") is an unincorporated investment trust. The business of the Fund is held in wholly-owned subsidiaries and limited partnerships. The business of Mullen is a diversified transportation and oilfield service organization with its activities divided into two distinct business segments: Oilfield Services and Trucking.

The Fund is an unincorporated open-ended investment trust governed by the laws of the Province of Alberta and created pursuant to a declaration of trust dated as of June 3, 2005. Pursuant to the provisions of section 193 of the Business Corporations Act (Alberta), Mullen Transportation Inc. ("MTI" and/or the "Company"), Mullen Acquisition Corp. ("Acquisition Co."), certain subsidiaries of MTI and certain other corporations were amalgamated, effective as of July 1, 2005 to form MT Investments Inc. ("MT"). MT is wholly-owned by Mullen Co. Limited Partnership ("MCLP"). MCLP is 80 percent owned by Mullen Holding Trust ("MHT") and the balance of MCLP is owned by other third parties. MHT is wholly-owned by the Fund. CIBC Mellon Trust Company has been appointed trustee under the Fund. The beneficiaries of the Fund are the holders of the Trust Units issued by the Fund ("unitholders"). Prior to the Plan of Arrangement ("the Plan") effective date of July 1, 2005 the consolidated financial statements included the accounts of MTI, its subsidiaries and its partnerships, all of which were wholly-owned. The conversion to a Trust has been accounted for on a continuity-of-interest basis and accordingly, the consolidated financial statements for 2004 and 2005 reflect the financial position, results of operations and cash flows as if the Fund had always carried on business formerly carried on by MTI. Due to the conversion to a trust, certain information included in the consolidated financial statements for prior periods may not be directly comparable. For purposes of the consolidated financial statements, the share capital of MTI is reported under Unitholders' Equity (note 10). Pursuant to the Plan, shareholders received either three Trust Units of the Fund or a combination totalling three units per share of Trust Units and Mullen Co. Limited Partnership "B" units ("B Units") for each previously held common share of MTI.

After giving effect to the Plan, the consolidated financial statements include the accounts of the Fund, its subsidiaries and its limited partnerships. The accompanying audited consolidated financial statements for the Fund have been prepared in accordance with GAAP for consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current consolidated financial statement presentation.

(b) Investments

Investments in affiliates over which the Fund has significant influence are accounted for using the equity method. Portfolio investments are carried at lower of cost or market value. If management determines there is a permanent decline in value in underlying assets and no expectation of future earnings, these investments are written down to net realizable value.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the declining balance basis at the following rates:

Assets	Rate
Buildings	2.5 – 8%
Trucks and trailers	10 – 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 – 50%
Satellite communications equipment	20%

Drilling rigs are depreciated by the unit-of-production method based on 1,500 operating days with a 20 percent residual value.

(d) Other assets and amortization

Other assets include intangibles that are amortized on a straight-line basis over five years.

(e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values.

Goodwill is allocated, as of the date of the business combination, to the Fund's reporting segments that are expected to benefit from the business combination.

Goodwill is not amortized, but is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to

be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of a reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the current year's assessment no impairment loss has been recognized.

(f) Revenue recognition

The Fund's services are provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates. Contract terms do not include provision for post-service obligations. Revenue is recognized when services are rendered and when collectability is reasonably assured.

(g) Income taxes

The Fund is a mutual fund trust for purposes of the Income Tax Act (Canada), and is only subject to statutory income taxes on taxable income not distributed to the unitholders. The Fund is subject to federal large corporation taxes ("LCT"), certain provincial capital taxes ("PCT") and corporate income taxes and follows the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences", and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Fund's provision for current income taxes, LCT, PCT and future income tax.

(h) Unit-based compensation plan

The Fund has a unit-based compensation plan, which is described in note 10(e). The Fund utilizes the fair value method to account for options issued subsequent to January 1, 2002. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus. When options are exercised, the proceeds received by the Fund, along with the amount in contributed surplus, will be credited to unitholders' capital.

(i) Per unit amounts

Basic per unit amounts are calculated using the weighted average number of units outstanding during the year. Diluted per unit amounts are calculated based on the treasury stock method which assumes that any proceeds obtained on exercise of options would be used to purchase Trust Units at the average market prices during the period. The weighted average number of units outstanding is then adjusted by the net change. Per unit amounts reflect the effect of the Plan, whereby shareholders received either three Trust Units or a combination totalling three units per share of Trust Units and B Units for each previously held common share of MTI.

2. Accounting Changes

Stock-based compensation:

Effective January 1, 2004, the Fund adopted new Canadian accounting standards regarding stock-based compensation as described in note 1(h). The Fund has retroactively applied this standard, with restatement of prior years, to all stock options granted since January 1, 2002. The adoption has resulted in a charge to net income of $4.0 million or $0.09 per unit (2004 – $2.0 million or $0.04 per unit) and a reduction to opening retained earnings of $2.1 million at January 1, 2004.

3. Acquisitions

(a) On April 30, 2005 the Fund acquired all of the issued and outstanding shares of Tenold Transportation Inc. ("Tenold"), a private trucking company, which is included in the Trucking segment, for consideration of $24,100,000.

In 2000, the Fund acquired a 45 percent interest in Payne Transportation Inc. ("Payne"), a start-up long-haul transportation company. On June 14, 2005 the Fund acquired the remaining 55 percent of all the issued and outstanding shares of Payne for consideration of $9,933,000. The Fund included in its 2005 net income $366,000 of earnings from this equity investment (2004 – $521,000). Since June 14, 2005 results of operations have been included in the Trucking segment.

On August 31, 2005 the Fund acquired the business and certain assets of Schmidt Drilling Ltd. L.P. ("Schmidt"), a privately-held corporation engaged in the drilling services industry, which is included in the Oilfield Services segment, for consideration of $25,564,000.

On November 30, 2005 the Fund acquired the business and certain assets of Friday's Transport Inc. ("Fridays"), a privately-held corporation engaged in dry bulk hauling, which is included in the Trucking segment, for consideration of $842,000.

These acquisitions have been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisitions are as follows:

2005	Schmidt	Tenold	Payne	Fridays	Total
Assets:					
Non-cash working capital items	$ 346	$ 2,131	$ 2,268	$ –	$ 4,745
Property, plant and equipment	15,480	5,821	3,331	346	24,978
Intangibles	2,000	6,000	1,000	496	9,496
Goodwill	10,343	15,209	4,708		30,260
	28,169	29,161	11,307	842	69,479
Assumed liabilities:					
Bank indebtedness	697	2,130	517		3,344
Long-term debt	1,789		199		1,988
Future income taxes	119	2,931	658		3,708
	2,605	5,061	1,374		9,040
Net assets	$ 25,564	$ 24,100	$ 9,933	$ 842	$ 60,439
Consideration:					
Cash	$ 19,676	$ 24,100	$ 1,537	$ 842	$ 46,155
Common shares issued (100,000)			6,100		6,100
Units issued (250,000)	5,888		–		5,888
Equity in earnings of affiliate			2,296		2,296
	$ 25,564	$ 24,100	$ 9,933	$ 842	$ 60,439

(b) On October 1, 2004 the Fund acquired all issued and outstanding shares of Northern Underwater Systems (NUS) Ltd., a private specialized services company, which is included in the Oilfield Services segment, for net consideration of $10,004,000. This acquisition has been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisition are as follows:

2004	NUS
Assets:	
Non-cash working capital items	$ (425)
Property, plant and equipment	6,606
Intangibles	300
Goodwill	6,974
	13,455
Assumed liabilities:	
Amounts payable to shareholder	1,892
Long-term debt	242
Future income taxes	1,259
	3,393
Net assets before cash position	10,062
Cash position	(58)
	10,004
Cash consideration	$ 10,004

4. Investments

	2005	2004
Portfolio investments, at cost	**$ 1,526**	$ 1,376
Investments accounted for by the equity method	**5,102**	7,163
	$ 6,628	$ 8,539
Market value of portfolio investments	**$ 5,720**	$ 1,922

Portfolio investments correspond to 310,000 shares of Pe Ben and an additional $150,000 of professional fees associated with the acquisition of Pe Ben. Acquired in stages, Pe Ben was subsequently fully acquired on January 12, 2006, (see note 17).

5. Property, Plant and Equipment

2005	Cost	Accumulated depreciation	Net book value
Land	$ 11,901	$ –	$ 11,901
Buildings	28,512	5,573	22,939
Drilling equipment	29,830	2,533	27,927
Trucks and trailers	197,527	71,432	126,095
Equipment, furniture and fixtures	36,883	15,172	21,711
Automobiles, computer equipment and computer software	17,598	10,917	6,681
Satellite communications equipment	5,239	3,506	1,733
	$ 327,490	$ 109,133	$ 218,357

2004	Cost	Accumulated depreciation	Net book value
Land	$ 8,531	$ –	$ 8,531
Buildings	22,445	5,663	16,782
Drilling equipment	24,212	1,171	23,041
Trucks and trailers	186,706	67,432	119,274
Equipment, furniture and fixtures	25,121	10,734	14,387
Automobiles, computer equipment and computer software	15,434	9,565	5,869
Satellite communications equipment	5,007	3,455	1,552
	$ 287,456	$ 98,020	$ 189,436

6. Other Assets

Other assets are comprised of intangibles, amounts due from related parties and other as follows:

	2005	2004
Intangibles	$ 11,269	$ 1,774
Less: accumulated amortization	(2,469)	(1,124)
	8,800	650
Due from related parties (note 16):		
Non-interest bearing, secured loan, repayable on demand	4,000	4,000
Non-interest bearing, unsecured loan, repayable on demand	6,300	5,300
Interest bearing, secured loan, repayable on demand	500	500
	10,800	9,800
Other	3,901	1,362
	$ 23,501	$ 11,812

7. Bank Indebtedness

The Fund has a $40.0 million unsecured revolving demand facility, of which the Fund has drawn $21.9 million, which bears interest at the bank's prime rate, or at bankers' acceptance rate plus a prime acceptance stamping fee of 1.0 percent per annum.

8. Long-term Debt

	2005	2004
Bank facility	$ 50,000	$ 39,142
Various financing loans with rates of 0% with monthly blended principal and interest payments not exceeding $3,981. These loans are by secured certain operating equipment.	169	–
Various financing loans with rates at 2.35% and 5.75% with monthly blended principal and interest payments not exceeding $31,122. These loans are secured by specific operating equipment.	887	34
Mortgage facility with rates at 6.45% with blended principal and interest payments of $9,077. This mortgage is secured by specific land and buildings.	478	–
	51,534	39,176
Less: current portion	549	34
	$ 50,985	$ 39,142

Aggregate principal repayments of long-term debt are as follows:

2006	$ 549
2007	17,108
2008	33,636
2009	126
2010 and thereafter	115
	$ 51,534

The Fund's bank term debt is a $100.0 million, extendible revolving 364-day-term facility convertible to a two year reducing facility. If the loan is not renewed on July 1, 2006 it converts to a two year reducing term facility payable in three equal semi-annual installments commencing on July 1, 2007. Interest is at bank prime rate or at bankers' acceptance rate, plus a prime acceptance fee of 1.2 percent per annum.

9. Income Taxes

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian statutory rates as follows:

	2005	2004
Income before income taxes and earnings from equity investments	**$ 88,522**	$ 69,433
Income tax rate	**34%**	35%
Computed expected income tax expense	**30,097**	24,302
Add (less):		
Amounts included in Trust income	**(10,916)**	–
Large corporation tax	**963**	–
Non-deductible stock-based compensation	**1,355**	–
Reduction of future tax balances due to substantively enacted income tax changes	**–**	(850)
Other	**(2,549)**	324
Provision for income taxes	**$ 18,950**	$ 23,776

The Fund owns two businesses, the operating results of which flow through to the Fund, as these businesses are flow-through entities not owned by the Fund's subsidiary, MT. Temporary income tax differences between the book value of certain assets and the tax value of these assets for these businesses do not result in future income taxes in the Fund's consolidated financial statements. These temporary differences amount to approximately $12.1 million at December 31, 2005.

10. Unitholders' Capital

On July 1, 2005 the Fund converted to an open-ended investment trust named Mullen Group Income Fund pursuant to the Plan. The Plan resulted in shareholders receiving three Trust Units or three B Units, or a combination thereof, for each previously held common share.

(a) Common shares:

	Common shares	Amount
Balance at December 31, 2003	14,906,880	$ 65,120
Stock options exercised	132,616	2,493
Shares issued	22,500	912
Balance at December 31, 2004	15,061,996	68,525
Issued for options exercised	171,050	3,848
Issuances of shares for Payne acquisition	100,000	6,100
Balance at June 30, 2005	**15,533,046**	**$ 78,473**

On July 1, 2005 all outstanding common shares and stock options converted on a 3:1 basis for Trust Units or B Units resulting in the conversion of 15,333,046 common shares to 36,503,589 Trust Units and 9,495,549 B Units and 366,150 stock options converting to 1,098,450 trust unit options.

(b) Trust Units

Authorized:

Unlimited number of Trust Units.

	Trust Units	Amount
Balance at June 30, 2005	–	$ –
Issued for common shares under the Plan	36,503,589	62,274
Issued for options exercised	1,006,618	14,630
Issuances of units for Schmidt acquisition	250,000	5,888
Balance at December 31, 2005	**37,760,207**	**$ 82,792**

(c) B Units

Authorized:

Unlimited number of B Units.

B Units are exchangeable for Trust Units on a one-for-one basis at any time after December 31, 2005 at the option of the holder.

	B Units	Amount
Balance at June 30, 2005	–	$ –
Issued for common shares under the Plan	9,495,549	16,199
Balance at December 31, 2005	**9,495,549**	**16,199**

Summary:

	# of Units	Amount
Trust Units	37,760,207	$ 82,792
B Units	9,495,549	16,199
Balance at December 31, 2005	**47,255,756**	**98,991**

(d) Stock-based compensation plan

In accordance with the Plan, all outstanding stock options of the Fund vested and were required to be exercised by July 15, 2005.

In July, the Fund received proceeds of $9.1 million for the exercise of options and issued 1,006,618 Trust Units, resulting in a transfer of $5.5 million from contributed surplus to unitholders' capital. During the year 91,832 options were cancelled.

	Options	Weighted average exercise price
Outstanding, December 31, 2003	593,500	$ 21.12
Granted	128,500	41.86
Exercised	(132,616)	(14.76)
Cancelled	(45,684)	(34.04)
Outstanding – December 31, 2004	543,700	26.49
Granted	–	–
Exercised	(171,050)	(18.39)
Cancelled	(6,500)	(24.60)
Outstanding – June 30, 2005	**366,150**	**$ 30.31**
Converted on a 3:1 basis per Trust Options	1,098,450	10.10
Exercised	(1,006,618)	(10.10)
Cancelled	(91,832)	10.10
Granted	2,550,000	20.66
Outstanding – December 31, 2005	2,550,000	$ 20.66
Exercisable – December 31, 2005	–	$ –

(e) On July 19, 2005 the Board of Directors implemented a new form of unit option plan (the "Option Plan") for certain directors, officers and employees. As at December 31, 2005 there are Trust Options outstanding to purchase 2,550,000 Trust Units with prices ranging from $20.56 to $25.50 per unit with expiry dates ranging from July 19, 2010 to September 9, 2010.

Under the Option Plan, the Fund may grant additional Trust Options to its employees and directors for 1,950,000 Trust Units which have been reserved for this purpose. Under the Option Plan, the exercise price of a Trust Option granted under the Option Plan shall be as determined by the Board of Directors when that Trust Option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the market value of the Trust Units.

In 2005, the Fund granted 2,550,000 Trust Options ranging in prices from $20.56 to $25.50. The per unit weighted average fair value of Trust Options granted during the year has been estimated at $1.13 using the Black-Scholes option pricing model, resulting in $330,000 in unit-based compensation costs.

Stock Based Compensation

The following weighted average assumptions were used to determine the fair value of the options on date of grant:

Risk-free interest rate	3.47%
Expected life	5 years
Maximum life	5 years
Expected distribution	$1.62 per unit
Expected unit price volatility	20%

Summary of stock-based and unit-based compensation:

	2005	2004
Stock-based compensation plan	**$ 3,661**	$ 1,818
Stock issued at a discount from market price	–	137
Unit-based compensation plan	**330**	
	$ 3,991	$ 1,955

11. Contributed Surplus

For options granted to employees and directors after January 1, 2002 the Fund records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to compensation expense and contributed surplus. When options are exercised, the fair value amount in contributed surplus is credited to unitholders' capital.

Balance at December 31, 2003	$ 1,336
Stock-based compensation expense	1,818
Stock options exercised	(536)
Balance at December 31, 2004	$ 2,618
Stock-based compensation expense	3,661
Stock options exercised	(6,279)
Unit-based compensation expense	330
Outstanding – December 31, 2005	**$ 330**

12. Per Unit Amounts

Per unit amounts have been restated to reflect the effect of the 3:1 split as per the Plan. Basic per unit amounts have been calculated on the weighted average number of units outstanding during the year. The weighted average units outstanding for the year ended December 31, 2005 was 46,261,000 (2004 – 45,024,000).

Diluted per unit amounts are calculated to reflect the dilutive effect of the exercise of options outstanding. The diluted units for the year ended December 31, 2005 was 46,322,000 (2004 – 45,420,000).

13. Commitments and Contingencies

(a) Commitments:

The Fund is committed to payments under operating leases for equipment and buildings to 2010. Annual minimum payments required subsequent to 2005 are as follows:

2006	$ 4,729
2007	3,616
2008	1,794
2009	794
2010	157

(b) Contingencies:

The Fund is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the Fund's financial positions, results of operations or cash flows.

14. Segment Information

The Fund conducts its business through wholly-owned subsidiaries and limited partnerships which are categorized into two business segments. The Oilfield Services segment provides transportation, drilling and other services to the oil and gas industry which includes exploration and development companies and production and gas transmission companies. The Trucking segment provides both long-haul and local transportation services to customers in various industries.

Amounts between different segments are not eliminated in reporting revenue and operating income by business segment. They are eliminated in reporting total consolidated revenue and operating income.

				Intersegment eliminations		
2005	Oilfield Services	Trucking	Other	Oilfield Services	Trucking	Total
Revenue	$ 338,734	$ 256,378	$ 248	$ (1,589)	$ (2,043)	$ 591,728
Operating income	78,371	38,771	(4,425)	–	–	112,717
Depreciation and amortization	16,727	5,442	321	–	–	22,490
Total assets	338,785	147,475	22,359	–	–	508,619
Capital expenditures(1)	19,820	11,516	2,359	(901)	(4)	32,790
Goodwill	93,547	37,797	–	–	–	131,344

				Intersegment eliminations		
2004	Oilfield Services	Trucking	Other	Oilfield Services	Trucking	Total
Revenue	$ 309,545	$ 163,710	$ 102	$ (1,862)	$ (635)	$ 470,860
Operating income	69,708	23,464	(1,097)	–	–	92,075
Depreciation and amortization	15,242	4,382	247	–	–	19,871
Total assets	280,678	94,216	25,815	–	–	400,709
Capital expenditures(1)	13,192	5,105	3,127	(945)	–	20,479
Goodwill	83,209	17,876	–	–	–	101,085

(1) *Excludes business acquisitions*

15. Related Party Transactions

All related party transactions are provided in the normal course of business under the same terms and conditions as transactions with unrelated companies, except for the non-interest bearing $10.3 million loan to Beaufort Oilfield Support Services Ltd.

Nature of transaction	Nature of relationship	Amount of the transaction 2005	2004
Revenue:			
Transportation services	a,b,c	$ 7,262	$ 10,028
Management fees	a	494	117
Other revenue	a,b,c	153	230
Sale of property, plant and equipment	c	68	–
		$ 7,977	$ 10,375
Expenses:			
Transportation services	a	$ 871	$ 918
Other	a,c	162	187
		$ 1,033	$ 1,105

Balances as at December 31	2005	2004
Accounts receivable	$ 288	$ 1,852
Other assets (note 6)	10,800	9,800
Accounts payable	–	242

Nature of relationship:

a) Related by equity investment:

	Equity ownership
Beaufort Oilfield Support Services Ltd.	49%
Mackenzie Delta Integrated Oilfield Services Inc.	39%
Payne Transportation Inc. (until June 14, 2005)	45%

b) Related by common officer or director:

Producers Oilfield Services Inc. (until May 9, 2005)

c) Private companies owned or controlled by an officer or director

16. Financial Instruments

(a) Fair values

The carrying values of bank indebtedness, accounts receivable, dividends payable, accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The fair value of equity investments and other assets included in the consolidated balance sheet do not materially differ from their carrying values. The fair value of the long-term bank facility approximates its carrying value as it bears interest at floating rates.

(b) Credit risk

The Fund hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer-term contracts are with large, well established customers. During 2005, one customer in the Oilfield Services segment accounted for 11 percent of the Fund's revenue and no other customer accounted for more than 10 percent. During 2004, two customers in the Oilfield Services segment accounted for 15 percent and 10 percent of the Fund's revenue. No other customer accounted for more than 10 percent of the Fund's revenue.

(c) Foreign exchange rate fluctuation

The Fund is exposed to foreign currency fluctuation in relation to its U.S. activity. Management believes this exposure is not material to its overall operations.

(d) Interest rate risk

The Fund manages its interest rate risk through a combination of fixed and floating rate borrowings. At December 31, 2005 the bank term debt was financed in floating rate terms.

17. Subsequent Events

(a) Acquisitions

On January 12, 2006 the Fund acquired all the outstanding shares of Pe Ben Oilfield Services Ltd. ("Pe Ben"), a public transportation company, for $54.5 million or $18.50 cash for each outstanding Pe Ben share. The Fund previously held approximately 9.5 percent of the outstanding shares of Pe Ben. Pe Ben has three segments: tubular and oilfield transportation, pipeline stringing and liquid bulk transport.

(b) Issuance of Trust Units

On January 12, 2006 the Fund issued 3.4 million Trust Units at a public price of $30.00 per unit which resulted in net proceeds of $96.5 million to the Fund, after underwriting and professional fees. Proceeds of this issuance will be use for general corporate purposes including acquisitions, debt repayment and corporate acquisitions. After the issuance of the 3.4 million Trust Units, the Fund has 41,160,207 Trust Units outstanding and 9,495,549 B Units outstanding for a total of 50,655,756 units outstanding.

(c) Increase in monthly distributions

On January 13, 2006 the Fund announced that its monthly distribution policy for 2006 will be $0.15 per unit ($1.80 per unit per year), an increase of $0.015 from the $0.135 per unit ($1.62 per unit per year) used in 2005.

(d) Business combination

On February 14, 2006 the Fund and Producers Oilfield Services Inc. ("Producers") announced that their respective boards have unanimously approved a business combination of their businesses. It is anticipated that the transaction will occur by way of a Plan of Arrangement and will result in each Producers share being converted into 0.4444 Mullen Trust Units or Mullen LP Units. It is anticipated that this will result in the issuance of approximately 30.0 million units for total units outstanding of approximately 81.0 million units. It is also contemplated, as part of the transaction, that the assets of Mullen and Producers associated with the Far North will be transferred into a separate public company, the details of which have yet to be finalized. The transaction is subject to regulatory approval and unitholder approval by at least 66 $^{2}/_{3}$ percent of each Producers shareholders and Mullen unitholders. It is expected that the shareholder and unitholder meetings related to such approvals will be held in May 2006. A joint information circular regarding the combination is expected to be mailed to unitholders of Mullen and shareholders of Producers in April 2006.

(e) In late February 2006, the Fund entered into agreements to acquire three companies for a total cash consideration of approximately $31.0 million. The acquisitions are scheduled to close on February 28, 2006.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Murray K. Mullen
Chairman, Co-Chief Executive Officer and Director

Alan D. Archibald [1, 2]
Director

Greg Bay [1, 2]
Director

Dennis Hoffman [1, 2]
Director

Bruce W. Simpson [1, 2]
Director

Stephen H. Lockwood, Q.C.
President, Co-Chief Executive Officer and Director

Bruce W. Mullen
Senior Vice President

David E. Mullen
Senior Vice President

David E. Olson
Vice President, Finance and Chief Financial Officer

Sharon L. Kaiser
Corporate Secretary

[1] *Member of the Audit Committee*

[2] *Member of the Compensation, Nomination and Governance Committee*

HEAD OFFICE

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Aldersyde, Alberta T0L 0A0
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Facsimile: (403) 601-8301
Internet: www.mullen-group.com
E-mail: ir@mullen-group.com

BANKER

The Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

Mullen Group
INCOME FUND

P.O. Box 87 #1 Maple Leaf Road, Aldersyde, Alberta T0L 0A0
www.mullen-group.com

Mullen Group

INCOME FUND

Delivering Value and Growth

2005 Annual Report

Mullen Group Income Fund is an open-ended income fund that owns a network of independently operated businesses. Today the Mullen Group is recognized as the largest provider of specialized transportation and related services to the oil and natural gas industry in western Canada and as one of the leading suppliers of trucking and logistics services in Canada – two sectors of the economy in which the Fund has strong business relationships and industry leadership.

Administration of the Fund is delegated to Mullen Group Inc. which, in addition to managing the Fund, provides management and financial expertise, technology and systems support to its independent businesses.

OILFIELD SERVICES SEGMENT

CL Cora Lynn Drilling LP

FSJ L.A.N.D. Transport LP

Heavy Crude Hauling LP

Mullen Oilfield Services LP

Northern Underwater Systems LP

OK Drilling Services LP 1-800-661-5254

Schmidt Drilling LP.

Premay Equipment LP

Premay Pipeline Hauling LP

SL Spearing Service

E-Can Oilfield Services LP

Pe Ben Oilfield Services L.P.

Burnell Contractors L.P.

TRUCKING SEGMENT

Mullen Trucking LP

Mill Creek Motor Freight LP

Grimshaw Trucking LP

Cascade Carriers LP

PE BEN Bulk Transport Ltd.

Payne Transportation LP

Tenold Transportation LP

To find out more about Mullen Group Income Fund and to view the full 2005 Financial Report and Management's Discussion and Analysis, please visit www.mullen-group.com or www.sedar.com

DELIVERING VALUE AND GROWTH

2005 was another outstanding year for Mullen investors. The results reflect our success in growing the business in western Canada, where oil and natural gas drilling activity reached record levels and billions of dollars of new capital was invested in everything from the oil sands in northern Alberta to a multitude of infrastructure and construction projects throughout the western provinces. 2005 was also the year Mullen shareholders approved the conversion from a traditional corporate structure to that of an open-ended income fund.

Today we operate 20-plus independent businesses employing more than 3,500 employees and contract operators. Tomorrow we will be bigger and stronger due to our ability to acquire profitable, well-managed companies and to integrate them into our growing organization.

Mullen Group INCOME FUND

CONTENTS

MURRAY K. MULLEN
Chairman and Co-Chief Executive Officer

CREATING SHAREHOLDER VALUE FROM GROWTH

The good times continued in 2005. Business was great; the markets continued to reward those who invested in the energy story and opportunities were plentiful for companies with a well-thought-out growth strategy. And to top it all off, we completed a corporate restructuring that allowed our shareholders to share in the pre-tax earnings of our business. This combination of events drove our market capitalization above $1.5 billion and generated a very handsome total return to shareholders of 102 percent for the year. Obviously these kinds of returns are not sustainable year-over-year, but I am of the belief that this organization can continue to deliver a nice balance of value and growth to our investors for years to come.

My confidence is based upon the same fundamentals as I have spoken about for the past number of years. Energy is currently the place to be; acquisitions will accelerate growth; and our organization is people-focused. In this year's annual message I will outline the core reasons why the Mullen Group is both a solid investment vehicle for today's investor and a great place for people looking to utilize their skills.

WHAT DO YOU GET IF YOU INVEST IN MULLEN?

First, and most important, you own part of one of Canada's largest and most profitable service-oriented income funds. In 2006 we expect the markets we serve to remain strong and that recent acquisitions will drive our revenues, cash flows and operating earnings to new highs. By 2007 we expect to generate revenues in excess of $1 billion and EBITDA in the order of $250 million.

Second, you are exposed to the fast-growing economies in western Canada. Mullen's 20-plus business units provide a diverse range of services in the most dynamic economic sectors of Canada. You will benefit from the future growth of our organization, which is leveraged to high-growth markets such as:

- Oil and natural gas drilling activity;
- Development of Canada's oil sands;
- Infrastructure, capital projects and construction industries in western Canada;
- Pipeline construction and the expansion of the mining and coal industries; and
- Servicing and the hauling of fluids like crude oil from the ever-expanding number of producing wells.

Third, you are investing in and alongside an experienced and highly motivated executive team that is rewarded, like you, for being successful. At Mullen we have always been profitable and we expect to be so in the future.

Fourth, through the income fund structure, you receive a monthly return on your investment. Using the current distribution of $1.80 per unit, you are receiving an annual yield of 6 percent based on a $32 unit price.

2005 INVESTMENT PERFORMANCE

SHARE/UNIT CLOSING PRICE INCREASES

$16.80* per share

January 4, 2005

**reflects the three-for-one split on July 7, 2005*

$22.40 per unit

July 6, 2005

$32.69 per unit

December 31, 2005

Obviously, maintaining these types of returns in the future will be difficult, especially based on our performance in 2005. Nonetheless, our objective is to continue growing the business and adding value for unitholders.

The Board and the executive team will operate the income fund according to the following principles:

- Manage the business to maximize long-term returns to our unitholders.
- Maintain conservative debt levels.
- Report information on the Fund in a timely and accurate way.
- Maintain a healthy balance among profitability, safety and the environment.
- Provide Leadership and Stewardship to our employees and other stakeholders.

TO OUR VALUED EMPLOYEES

My sincere thanks for helping your executive team look good in 2005. Through your commitment, work ethic and professional attitude, Mullen has completed its most successful year ever. Today, we operate 20-plus business units, and employ more than 3,500 people in our communities. And these numbers will only grow as we acquire new companies and integrate them under the Mullen brand. For the most part our ability to grow as fast as we have has a lot to do with you and in our belief in the self-managed business unit. Because you look after your customers and the business so successfully, it frees up the senior executive team to focus on strategic issues, such as acquisitions, that accelerate the growth of the Mullen Group. Our investors benefit from your commitment and hard work and I extend a big thanks to you from your board, executive team and our investors.

I am as proud to represent you as I am to be associated with you.

WHAT IS IT LIKE TO WORK FOR THE MULLEN GROUP OF COMPANIES?

First, we all work in an environment based upon mutual trust and respect. Doing our very best for our customers and fellow workers within a team environment is what we are all about.

Second, by committing to Excellence in everything we do, we can pay you well and reward you for doing your very best.

Third, we encourage all our people – not just the leaders and managers in our organization – to continue their education, training and skills upgrading. For example, our goal is to have every individual in the organization receive a minimum of 40 hours in classroom learning and skills upgrading each year.

Fourth, our business model is based upon accountability and performance in both productivity and safety, which is why we operate our business units as independent businesses. You and your team are responsible for your business unit – the essence of the self-managed business.

Finally, you have an abundance of opportunity. Our growing organization is well suited to those individuals who not only want to excel at what they do, but want the opportunity and the challenge to try new and exciting adventures, allowing them to move ahead and to take on added responsibilities. We always try to promote from within whenever possible.

OUTLOOK

The oil and natural gas sector of the economy is, in our view, a great place to invest money, which is why Mullen announced our intention to acquire Producers Oilfield Services. Producers has what I believe are some crown jewels in the oilpatch – Swanberg Bros. Trucking, Formula Powell Group and Withers Trucking. These are great companies and I am delighted that we will now be on the same team.

From a strategic standpoint I doubt if there is another company that would complement our business model as well as Producers. It has size and a high leverage to the oil and natural gas drilling activity, an area that we view as having very good long-term prospects in the Western Canada Sedimentary Basin. Of course, drilling activity can be cyclical and is highly dependent upon commodity pricing, weather and the like, but our long-term view is that energy is the place to be. Furthermore, we would use any slowdown to improve on our business fundamentals, processes and the integration of the many acquisitions made over the last three years.

In terms of other business activity, western Canada remains the best place to do business. The combination of capital spending, infrastructure development, oil sands construction and now a renewed interest in pipeline construction will provide the backdrop to a very strong economy. Our diversified business model positions us well to capitalize on these opportunities.

The rest of Canada will probably not experience substantial growth, particularly with the rise in the Canadian dollar versus the U.S. greenback. Canada's manufacturing sector and export companies will have a more difficult time competing in the global economy. However, Mullen has only a small exposure to these markets through our Mill Creek business unit and will not see a material impact on our overall business.

This will be our first full year as an income fund, but the fundamentals behind our business have not changed. We expect to be profitable and to meet our distributions to our unitholders, which we have currently set at $1.80 per unit for 2006. In addition, we will be investing $50-$60 million in capital expenditures in 2006, ensuring that our business units remain best-in-class and can meet the growing needs of our customers.

And we will obviously have a very active year working with all of our new acquisitions. In addition to Producers we have acquired other companies that we expect will enhance our presence and service offering in western Canada – Pe Ben Oilfield Services L.P., C. Steen Trucking Ltd., Spearing Service L.P., Burnell Contractors L.P. and the Kleysen Group.

The last word is saved for everyone in the corporate office. You are a talented, focused and very productive team and I thank you for really going the distance in 2005.

On behalf of the Board of Directors,

Murray K. Mullen
Chairman and Co-Chief Executive Officer
April 25, 2006

STEPHEN H. LOCKWOOD
President and Co-Chief Executive Officer

DELIVERING SHAREHOLDER VALUE

Early in 2005 Mullen initiated a process to review strategic alternatives. This process culminated on June 30, 2005 with the shareholders of Mullen Transportation Inc. approving its conversion to an income trust and the creation of Mullen Group Income Fund.

The conversion into an income trust not only impacted our shareholders but had ramifications for our employees, suppliers and customers. We thank all these parties for their patience and support during this conversion process.

Prior to the conversion Mullen's corporate structure was relatively flat, with the public vehicle, Mullen Transportation Inc., sitting at the top and our various businesses being operated as wholly-owned subsidiaries and partnerships. As evidenced by the diagram on the next page, the new income trust structure has a number of vertical levels. Fortunately,

What is shared services?

Shared services is the sharing and leveraging of resources, people and information to more effectively and efficiently meet the needs of the corporation as a whole.

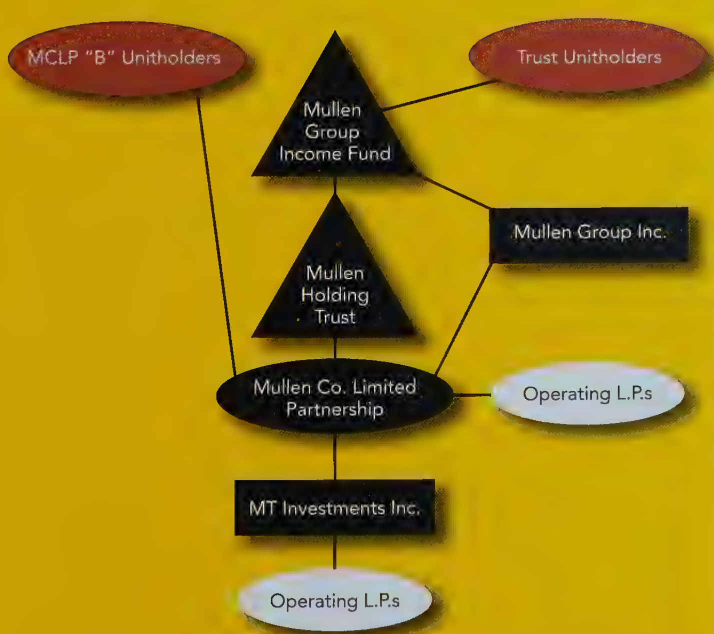
In the following pages of this annual report you will find a detailed description of the shared services provided by Mullen's head office groups, which are: Finance and Accounting; Safety and Loss Prevention; Information Technology; Human Resources/Quality and Training; Operations; and Investor Services.

however, most of this complexity does not really impact our operating businesses. Mullen's various operating businesses continue to be managed separately although most of them now operate through limited partnerships rather than companies.

In my 2004 message I indicated that 2005 would provide us with an opportunity to examine each of our business units with a view to capitalizing on their synergies to the greatest extent possible. Although we made some headway in this regard, the efforts of our head office team were more focused on creating shareholder value by virtue of the conversion and through growth by acquisition.

As our unitholders are aware, during 2005 Mullen completed three significant acquisitions: Tenold Transportation Inc., Payne Transportation Inc. and Schmidt Drilling L.P. At the end of 2005 and early in 2006, our strategy of growth through acquisitions continued with our purchase of Pe Ben Oilfield Services Ltd., Spearing Service Ltd., Burnell Contractors Ltd. and C. Steen Trucking Ltd.. As I report to you we are working on our recently announced business combination with Producers Oilfield Services Inc. and our acquisition of the Kleysen Group.

As you can see, our team at head office has been busy and I take this opportunity to thank each and every one of them for their dedication and efforts over the past year.



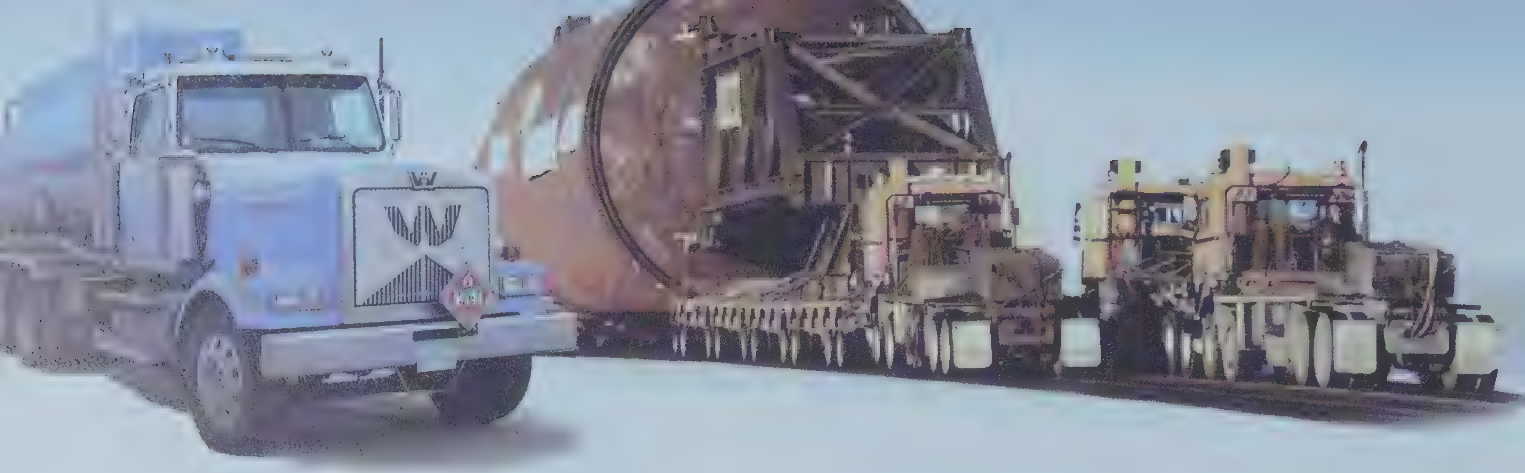
The head office team provides its services through Mullen Group Inc., the administrator of the Fund and general partner of Mullen Co. Limited Partnership. We see the head office role in relation to our various business units as providing various shared services on an as-needed basis.

As I mentioned, we are currently working on our business combination with Producers Oilfield Services Inc. This matter will go before our unitholders and Producers' shareholders at meetings scheduled for May 31, 2006. In conjunction with this transaction we intend to spin out into a separate public company assets owned by Mullen and Producers that are associated with the Far North. This opportunity presents itself because of the substantial efforts of Bruce Mullen, a Senior Vice President of Mullen. Bruce has worked long and hard over more than six years to develop relationships in the Far North and to acquire strategic assets for Mullen.

One of the first and a key relationship that Bruce developed was with Russell Newmark, the C.E.O. of E. Gruben's Transport Ltd. This relationship resulted in the formation of Beaufort Oilfield Support Services Ltd. (BOSS), a Northwest Territories company owned by Mullen and Gruben's. BOSS has been accumulating Mullen's northern assets and conducts its northern initiatives. On behalf of Mullen and its unitholders, I thank Bruce and Russell for their vision and efforts over these many years in creating a strong northern company and presence.

As we enter 2006 there are a great number of endeavours in front of us. We are operating our business during an exciting time and in a dynamic part of the world. I can assure all our unitholders that we will continue to work hard to ensure your investment continues to grow.

Stephen H. Lockwood
President and Co-Chief Executive Officer
April 25, 2006

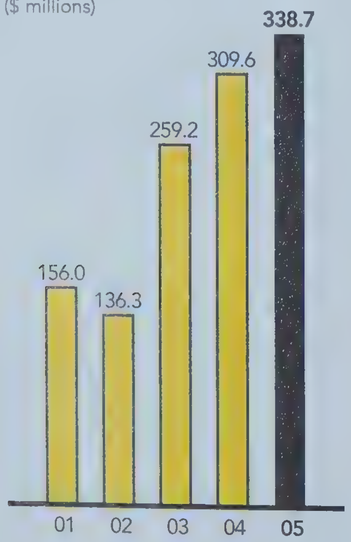


OILFIELD SERVICES SEGMENT

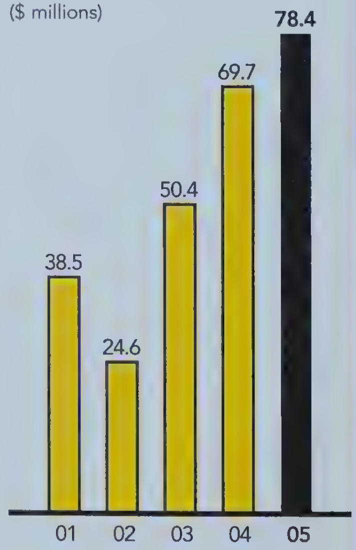
At the end of 2004 our Oilfield Services segment represented approximately 66 percent of Mullen's corporate revenue. At the end of 2005 this percentage had decreased to approximately 57 percent, however the Producers Oilfield Services transaction will increase this percentage substantially in 2006.

The segment is comprised of 13 business units, each of which provides specialized services to the oil and natural gas industry in western Canada and the Far North. This segment of the Mullen business continues to grow and flourish as evidenced by the following graphs.

OILFIELD SERVICES REVENUE
($ millions)



OILFIELD SERVICES OPERATING INCOME
($ millions)



2005 OILFIELD SERVICES

HIGHLIGHTS

- Acquisition of Schmidt Drilling L.P. enhances drilling services provided to customers.
- Continued strong drilling activity in western Canada with a record 24,803* (oil and natural gas) wells drilled.
- Continued strong financial performance with year-over-year increase in revenue of approximately 9 percent and in operating income of approximately 12 percent.
- Strong demand for services related to oil sands development, infrastructure projects and production services.

THE KEY PERFORMANCE DRIVERS

- Higher commodity prices for oil and natural gas lead to increased drilling activity and increases in capital spending in infrastructure development related to oil sands and pipelines.
- High crude oil prices are very favourable for our production services businesses.
- General economic activity.
- Mullen's "People First" philosophy.
By investing in training, skills development and worker safety, and by sharing our success with our employees through profit sharing, we strengthen the overall quality of our workforce and minimize turnover.

* *Source: FirstEnergy Capital Corp.*

TRUCKING SEGMENT

The Fund's Trucking segment represented approximately 43 percent of 2005 total corporate revenue, an increase of 8 percent from 2004. This segment is comprised of eight business units, each of which serves a distinct market. The growth in 2005 reflects our view that the fundamentals impacting the trucking and logistics sector of the economy now favour expansion of this segment of Mullen's business.

TRUCKING SEGMENT REVENUE
($ millions)

TRUCKING SEGMENT OPERATING INCOME
($ millions)

2005 TRUCKING

HIGHLIGHTS

- Increased demand for services, coupled with capacity constraints, led to higher margins.
- Acquired Tenold Transportation Inc. and Payne Transportation Inc.
- Increased revenue by $93 million and operating income by $15 million year-over-year, reflecting increased economic growth, especially in western Canada, and increased capital spending associated with oil sands development, new pipelines, construction and mining activity.

THE KEY PERFORMANCE DRIVERS

- General economic activity. As Canada's Gross National Product increases there is greater demand for trucking services, resulting in increased revenue and improved pricing leverage.
- Regional economic growth in western Canada resulted in increased capital spending in areas such as oil sands development, pipelining, mining and construction.
- Mullen's "People First" philosophy. By investing in training, skills development and worker safety, and by sharing our success with our employees through profit sharing, we strengthen the overall quality of our workforce and minimize turnover.

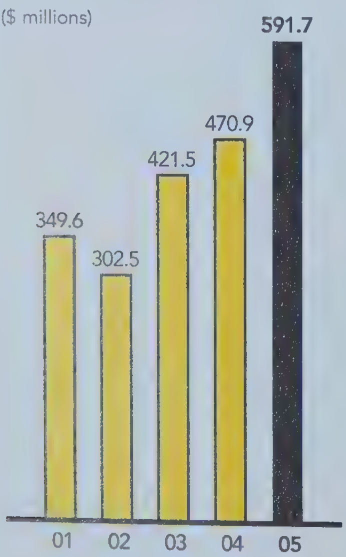
FINANCE AND ACCOUNTING

DAVID OLSON Vice President, Finance and Chief Financial Officer, **Stephen Clark** Director of Accounting, **Greg Young** Director of Accounting – Drilling Services, **Calvin Tong** Senior Financial Accountant, **Linda Schmid** Senior Financial Accountant

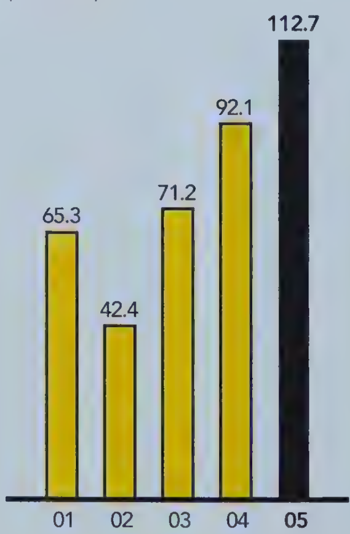
2005 was a significant year for the Fund as it converted to a mutual fund trust on July 1, 2005, and began monthly cash distributions to its unitholders. In addition to the conversion, the Fund acquired Tenold Transportation Inc., Payne Transportation Inc., Schmidt Drilling L.P., and Friday's Transport Inc. for total consideration of $60.4 million.

The buoyant Alberta economy, driven by the high level of oil and natural gas drilling and oil sands plant expansions, combined with our 2005 acquisitions, propelled the Fund to record revenue and operating income. Revenue increased by 25.7 percent to $591.7 million from $470.9 million in 2004. Operating

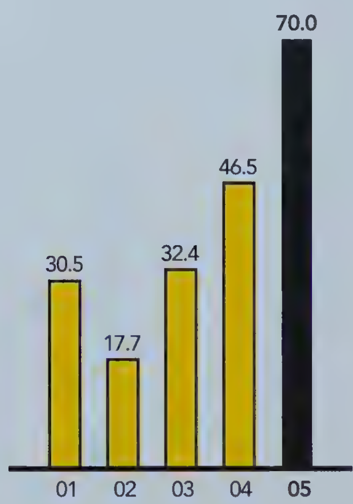
CONSOLIDATED REVENUE
($ millions)



OPERATING INCOME
($ millions)



NET INCOME
($ millions)



Years ended December 31

($ millions except per unit amounts and debt-to-equity ratio)		2005		2004	% Change
Revenue	$	**591.7**	$	470.9	25.7
Direct operating expenses	$	**411.9**	$	328.9	25.2
Selling and administrative expenses	$	**52.4**	$	40.8	28.4
Employee profit share	$	**14.7**	$	9.1	61.5
Operating income	$	**112.7**	$	92.1	22.4
Net income	$	**70.0**	$	46.5	50.5
Earnings per unit	$	**1.51**	$	1.03	46.6
Funds from operations	$	**100.8**	$	70.0	44.0
Funds from operations per unit	$	**2.18**	$	1.55	40.6
Debt-to-equity		**0.22:1**		0.15:1	–

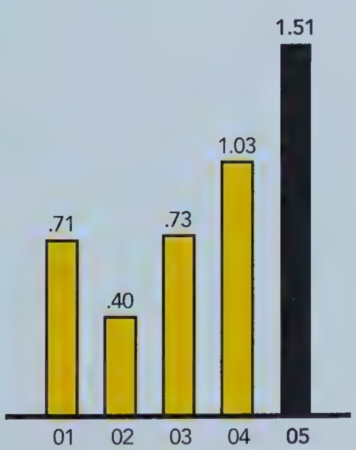
income increased to $112.7 million, which was 22.4 percent higher than the prior year's $92.1 million.

The Fund, at December 31, 2005, had a conservative debt-to-equity ratio of 0.22:1. Subsequent to the year-end the Fund raised $96.5 million of net equity from the issuance of 3.4 million trust units. These funds were then used for the acquisitions in 2006, being Pe Ben Oilfield Services Ltd., Burnell Contractors Ltd., Spearing Service Ltd. and C. Steen Trucking Ltd.

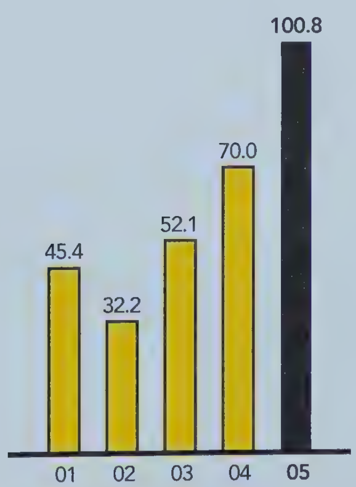
The Fund became a trust on July 1, 2005 and stated at that time that it expected to distribute approximately 75 percent of its funds from operations over an economic cycle. The other 25 percent of the funds from operations would be used for property, plant and equipment expenditures, or any scheduled debt repayments. In 2005 the trust distributed $0.81 per unit, which equated to a payout ratio of 66.9 percent. The funds from operations were higher than expected, being $1.21 per unit for the six months as a trust; however, net capital expenditures of $14.1 million, or $0.30 per unit, were also higher than expected as our business units needed growth capital expenditures to meet their customer service requirements. As a result the payout ratio was lower than the 75 percent policy.

The overall return to unitholders, including the distribution of $0.81 and the unit price appreciation of $16.07 for the year, resulted in a total return of 102.5 percent, resulting in a good year for unitholders.

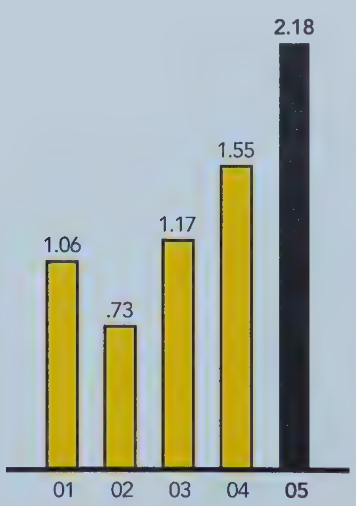
EARNINGS PER UNIT
($)



FUNDS FROM OPERATIONS
($ millions)



FUNDS FROM OPERATIONS PER UNIT
($)



SEVEN YEAR SELECTED FINANCIAL DATA

Years ended December 31			(restated)*	(restated)*		(restated)**	
($ thousands, unaudited)	**2005**	2004	2003	2002	2001	2000	1999
Revenue	**$ 591,728**	$ 470,860	$ 421,504	$ 302,512	$ 349,582	$ 322,330	$ 261,111
Expenses							
Direct operating expenses	**411,893**	328,853	305,060	224,729	246,534	230,090	189,828
Selling and administrative expenses	**67,118**	49,932	45,294	35,396	37,794	34,788	27,967
	112,717	92,075	71,150	42,387	65,254	57,452	43,316
Depreciation & amortization	**22,490**	19,871	17,819	13,975	12,937	11,362	11,504
Interest on long-term debt	**1,853**	1,865	1,504	36	158	460	858
Other interest	**66**	157	386	226	44	44	67
Loss (gain) on sale of property, plant and equipment	**(214)**	749	(92)	(255)	(325)	(508)	(730)
Gain on sale of investments	**–**	–	(304)	–	–	–	–
Income before income taxes, earnings from equity investments and amortization of goodwill	**88,522**	69,433	51,837	28,405	52,440	46,094	31,617
Provision for income taxes							
Current	**14,017**	22,041	18,229	10,906	19,624	19,179	13,818
Future (recovery)	**4,933**	1,735	1,520	773	745	(2,554)	–
Deferred	**–**	–	–	–	–	–	881
	18,950	23,776	19,749	11,679	20,369	16,625	14,699
Income before earnings from equity investments and amortization of goodwill	**69,572**	45,657	32,088	16,726	32,071	29,469	16,918
Earnings from equity investment	**391**	820	332	945	479	42	–
Net income before amortization of goodwill	**69,963**	46,477	32,420	17,671	32,550	29,511	16,918
Amortization of goodwill	**–**	–	–	–	2,040	1,399	1,152
Net income from continuing operations	**69,963**	46,477	32,420	17,671	30,510	28,112	15,766
Net income from discontinued operations	**–**	–	–	–	169	2,659	–
Net income	**$ 69,963**	$ 46,477	$ 32,420	$ 17,671	$ 30,679	$ 30,771	$ 15,766

* 2002 and 2003 figures have been restated to account for stock-based compensation.
** 2000 figures have been restated to account for discontinued operations.

SEVEN YEAR SELECTED FINANCIAL DATA

(unaudited)	2005	2004	(restated)* 2003	(restated)* 2002	2001	(restated)** 2000	1999
Ratios – operating							
Return on equity	**23.5%**	18.9%	15.5%	9.5%	18.3%	21.1%	12.9%
Gross margin – percent of revenue	**30.4%**	30.2%	27.6%	25.7%	29.5%	28.6%	27.3%
Selling and administrative expenses – percent of revenue	**11.3%**	10.6%	10.7%	11.7%	10.8%	10.8%	10.7%
Operating ratio	**84.7%**	84.8%	87.3%	90.5%	85.5%	86.0%	88.0%
Financial position ($ thousands except acid test and debt-to-equity ratio)							
Acid test	**1.35**	1.39	1.57	1.49	2.15	1.61	2.25
Net property, plant and equipment	**$ 218,357**	$ 189,436	$ 187,801	$ 149,160	$ 116,769	$ 111,615	$ 93,288
Total assets	**$ 508,619**	$ 400,709	$ 381,643	$ 294,532	$ 231,537	$ 228,999	$ 176,802
Long-term debt (including current portion)	**$ 51,534**	$ 39,176	$ 73,584	$ 30,506	$ 1,038	$ 4,274	$ 6,211
Unitholders' equity	**$ 327,872**	$ 267,975	$ 224,333	$ 194,687	$ 176,520	$ 158,535	$ 133,387
Debt-to-equity ratio	**0.22**	0.15	0.33	0.20	0.01	0.03	0.05
Funds from operations	**$ 100,771**	$ 69,967	$ 52,116	$ $32,195	$ 45,428	$ 37,769	$ 28,573
Unit data* **							
Funds from operations per unit	**$ 2.18**	$ 1.55	$ 1.17	$ 0.73	$ 1.06	$ 0.92	$ 0.72
Book value per unit	**$ 6.94**	$ 5.93	$ 5.02	$ 4.39	$ 4.07	$ 3.77	$ 3.25
Earnings per unit	**$ 1.51**	$ 1.03	$ 0.73	$ 0.40	$ 0.71	$ 0.75	$ 0.39
Price/earnings ratio	**21.6**	16.1	18.1	24.8	11.7	12.5	16.5
Weighted average number of units outstanding (thousands)	**46,261**	45,024	44,558	43,941	42,939	41,223	39,931

* 2002 & 2003 figures have been restated to account for stock-based compensation.

** 2000 figures have been restated to account for discontinued operations.

*** Unit data has been restated to reflect the exchange of Mullen Transportation Inc. shares for Mullen Group Income Fund units on a one-for-three basis.

Notes:

1 Return on equity was calculated by dividing net income by average unitholders' equity.
2 Gross margin was calculated by dividing sales less direct operating costs by sales.
3 Operating ratio was calculated by dividing the total cost before taxes, and interest as a percentage of revenue.
4 Acid test ratio was calculated by dividing cash plus receivables by current liabilities.
5 Debt-to-equity was calculated by dividing total debt by unitholders' equity.
6 Funds from operations was calculated as funds from operations before the effect of changes in non-cash working capital items.
7 Funds from operations per unit was calculated by dividing funds from operations by weighted average number of units outstanding.
8 Book value per unit was calculated by dividing unitholders' equity by the number of units outstanding.
9 Earnings per unit was calculated by dividing net income by the weighted average number of units outstanding.
10 Price/earnings ratio was calculated by dividing year-end closing price by earnings per unit.

SAFETY AND LOSS PREVENTION

RICHARD MALONEY
Vice President, Safety and Loss Prevention

LOST TIME CLAIMS

BUILDING A SAFE CULTURE WITHIN MULLEN

There is no single identifiable aspect of our daily activity that has more of a bearing on the success or failure of our business than safety. The welfare of our employees, owner-operators and the general public, and the protection and security of our customers' property, all benefit from safety. At Mullen we have been able to institutionalize safety largely as a result of our leaders' commitment to the Seven Key Elements of our Safety Culture. While we firmly believe that everyone is equally accountable for safety at Mullen, our Operating Unit leaders are expected to create Health, Safety and Environmental Systems, entrenched in proactive prevention strategies, within their respective organizations and clearly communicate to all personnel what the goals, objectives and expectations are for the Operating Units' safety performance.

When an organization travels in excess of 90 million miles and works over 6.5 million man-hours each year, the potential for a serious incident increases greatly. This is why we work so hard on safety and loss prevention. Not just because it makes business sense but because it is the right thing to do for all of our stakeholders.

HEALTH, SAFETY & ENVIRONMENTAL MANAGEMENT SYSTEMS (HSEMS)

Rather than mandating doctrine, policies and procedures, Mullen provides overarching guidelines and principles that our operating units then use to create their own HSEMS. This decentralized approach has proven to be very effective, with many of our operating units receiving awards and acknowledgements from regulatory bodies and associations for their industry-leading safety performance. Safety directors from our 20 operating units serve as facilitators to ensure that the safety and productivity objectives of their operating units are met. Each safety director works with his/her colleagues to ensure that they are selecting the right

2005 ACHIEVEMENTS

The Grand Prize Safety Award

- Reduction in Lost Time Claim and Total Recordable Injury frequencies.
- The Grand Prize Safety Award (GPSA), awarded annually by Mullen to the business unit with the overall best safety record and program. The 2005 award went to Premay Equipment, the second time Premay has won the award.
- The annual Safety Directors' Forum was hosted by Mullen in June, attended by Safety Directors from each operating unit. The forum is a place to present, discuss and share best practices in the areas of HSEMS and focuses on prevention through hazard assessment and control along with competency assessments and standards.
- In 2005, Mullen completed the development and roll-out of a custom-built Health, Safety and Environment Database, which tracks the training and certification of our personnel as well as recording all incidents.

people for the job, that new employees are properly trained and certified, and that they are able to identify and mitigate hazards. Safety directors also investigate all incidents to determine the cause and identify ways to prevent similar occurrences.

PARTNERS AND COR

Mullen is one of the few transportation and oilfield service organizations to belong to the Alberta Workplace Health & Safety "Partnerships In Health and Safety" program.

Partnerships IN HEALTH AND SAFETY

Members believe that healthy and safe workplaces are achieved by stakeholders committed to shared learning, leadership, meaningful worker involvement and enhanced quality assurance standards. Mullen and its operating units also participate in the Alberta Workplace Health and Safety Certificate of Recognition (COR) program, which certifies that industry-recommended HSEMS have been successfully integrated throughout the organization. This certificate is a prerequisite to working for many of our customers.

ENVIRONMENTAL CODE OF PRACTICE

Mullen and all of its Operating Units are fully committed to our Environmental Code of Practice and believe that this code of practice will encourage and advance high standards of environmental performance in the transportation and oilfield services sectors.

MEASUREMENT AND CONTINUOUS IMPROVEMENT

Our continuing success depends on measuring and monitoring the right Key Performance Indicators (KPI) and, more importantly committing ourselves to continuously improving upon these KPI. Mullen benchmarks itself against industry sectors, association groups and, most important, ourselves. Operating units that record unacceptable safety performance see a dramatic impact to their profit share. Beyond this, leaders who are unable to commit to or deliver on safety performance are terminated.

In 2005 Mullen recorded improved performance both from a Lost Time Claim and Total Recordable Injury perspective. We will continue to work hard to improve our HSEMS and our overall safety performance.

ESTABLISHING THE CULTURE: "SEVEN KEY ELEMENTS" OF OUR SAFETY PROGRAM

By incorporating these seven elements into our world-class safety program we give ourselves great opportunities at having an excellent safety record:

- *Recruitment;*
- *Pre-employment hiring procedures;*
- *Set the standards;*
- *Monitor and measure performance;*
- *Provide safe and reliable equipment and facilities;*
- *Education and skills upgrading; and*
- *Discipline.*

INFORMATION TECHNOLOGY

TAMMY WOOD LITTLE Director of IT North, **Randy Rice** Programmer/Analyst, **Russ Harrison** Programmer/Analyst, **Lance Adams** Network Administrator, **Leon Monteith** Network Administrator, (seated) **CHAR FISHER** Director of IT South, **Jodi Moore**, Helpdesk Administrator

DELIVERING VALUE WITH INFORMATION TECHNOLOGY

The IT team at the Mullen Group is focused on delivering value in three key areas: people, infrastructure and standards. We have a relatively lean staff of eight people who support more than 360 system-users and are engaged in the development and maintenance of our infrastructure and standards.

Maintaining a high level of system integrity and security, by continually reviewing our systems to ensure compliance with industry standards, is the fundamental objective of our department. We also have a full backup disaster recovery site in a second location with which we perform real-time data replication.

Our core group is comprised of long-term, dedicated individuals, who are experienced in both IT and transportation. Our centralized location near Calgary allows us to attract and retain talented IT professionals, by offering them a challenging work environment and growth opportunities. This model

allows our business units access to top-calibre IT intellectual capital on a demand basis.

The IT infrastructure that we have developed at the Mullen Group, including our hardware, network, Helpdesk and primary applications, is a fundamental component of the value that we bring to the organization. We have evolved from a small IT platform to a centralized, highly available, very scalable environment. We partner with industry leaders to leverage technologies such as replication software, clustering, load balancing and storage solutions.

Not all business units within the Mullen Group utilize our centralized IT infrastructure, but they are all required to meet the minimum standards that we have established, including security and risk management. As Mullen has grown through acquisitions, this flexible approach has proven effective, allowing the time necessary to make the best decisions for each individual business unit. We value diversity in our organization and often learn as much from a new company as it does from us.

For all business units (centralized or otherwise), we are able to deliver value through corporate purchasing and economies of scale. For example, we have been able to significantly reduce telecommunication costs for newly acquired business units. In addition, through our corporate licensing bundling services, we have alleviated their administrative burden and reduced overall costs.

IT at Mullen is well positioned to continue delivering value to our internal and external clients and ultimately to our unitholders through our experienced people, industry-leading infrastructure and standards. We continue to prioritize and set goals that are aligned with our corporate business initiatives. Despite several acquisitions in 2005, we managed the systems integration of all companies and welcome the opportunity for further growth.

2005 HIGHLIGHTS

RECOGNIZING WORLD-CLASS INFRASTRUCTURE

- In 2005, Jim Dixon, a technical solutions architect with Dell Canada, toured our head offices and commented: "I must say I did not expect to walk into a Fortune 500 level structure and design, not to mention UPS and Purolator class industry specific solutions."

WEB-ENABLED

- Complementing our world-class infrastructure is our customized web-facing tools, which enable both internal and external clients to access their information when and where they need it. In 2005, our IT team implemented a web portal, which gives remote and mobile office users full system access and functionality in a secure environment. This, in conjunction with our mobile satellite and cellular truck devices, brings Mullen to a new level of real-time data integration.

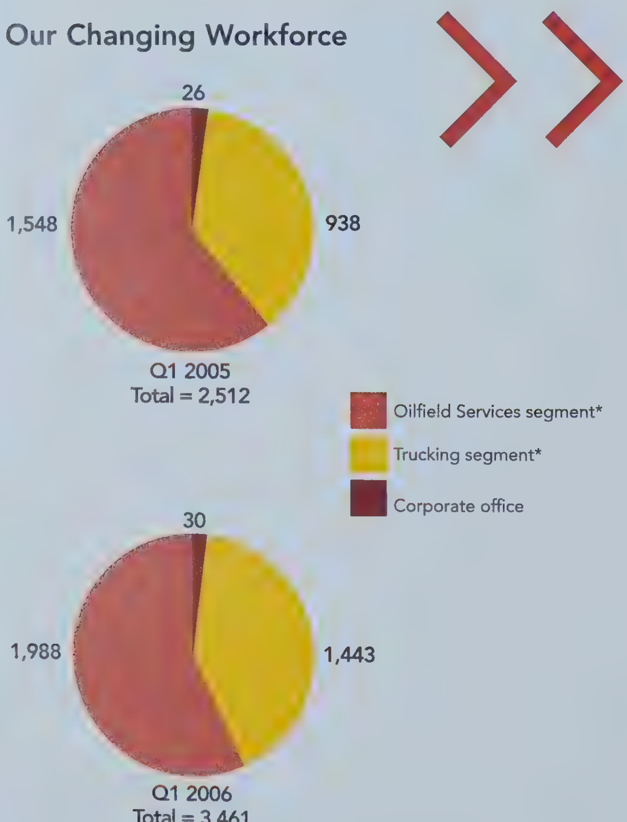
DISASTER READINESS

- The IT team's Disaster Recovery Plan was put to the test in December 2005 when a major system failure occurred. We were able to roll over from our main production environment to our backup location in a timely fashion with minimal impact to our business continuity.

HUMAN RESOURCES/QUALITY AND TRAINING

Carleen Bil HR Specialist, **Sheila Black** HR Representative, **Sandra Rowley** HR Representative, **Bonnie Sweany** HR Representative, **Renee Derbecker** HR Representative, **CATHY DELAY** Director of Human Resources, (missing from picture: **Roxanne Letkeman** HR Representative)

Our Changing Workforce



*Includes owner-operators and dedicated sub-contractors.

The 45.9 percent increase in our workforce year-over-year is primarily due to our acquisitions in both the Oilfield Services and Trucking segments. The recruiting department of each business unit undoubtedly has its challenges, especially in today's competitive markets in western Canada. As with most organizations, Mullen is dealing with the retirement of the so-called baby boomers and the struggle to recruit and retain new and skilled workers. We must provide a work environment that is challenging and rewarding and build healthy relationships based on mutual trust and respect. We need to consistently evaluate our programs to ensure that we are continually developing the skills of our people so they can grow and be successful.

CORPORATE EDUCATION AND TRAINING PROGRAMS

LEADERSHIP CONFERENCES

For more than a decade leaders at all levels have been attending annual Leadership Conferences hosted by our senior executives. The forums are designed to increase the role of today's leaders and ultimately to elevate their skill levels. Murray K. Mullen, Chairman of the Board and Co-CEO, has

developed a manual entitled, "Strategies for the Successful Organization – Building Competitive Advantage through Leadership." He has personally certified over 10 percent of our workforce and will continue to do so at future conferences.

QUALITY PROGRAM

After studying the concepts of well-known quality gurus in North America, Mullen designed its own program which has been branded "On the Road to Quality". This nationally recognized, award winning program is designed to help our business units provide the highest levels of customer service and maintain a quality work environment for our people. The program outlines what quality means to our organization; how to achieve quality through our six guiding principles; our commitment to our people through our clearly defined corporate objectives; how to use our interpersonal skills effectively by applying basic principles; and how to solve problems when they arise. The program requires a lot of effort and dedication from those business units that decide to take this journey. To date, more than 25 percent of our people have completed this program in training sessions held at each individual business unit. At head office we train the employees selected by the business unit to deliver the program contents to their own people and then we mentor them in their new role as facilitators.

It is difficult to determine if our corporate training programs enhance morale and employee satisfaction, as these metrics are difficult to measure. However, we do have statistical measurements that confirm that we have reduced turnover and increased length of service for those taking these programs. We believe this is an indicator that these people feel challenged in their work and have pride in what do they do.

ROLAND AND LEONA MULLEN SCHOLARSHIP PROGRAM

To encourage the children of our employees and owner-operators to continue their life-long journey of learning, we grant financial assistance at the post-secondary school level. Since the inception of this program in 1999 we have invested $120,000 to help 62 children achieve their goals.

PAYROLL AND BENEFITS SHARED SERVICES

Our team thoroughly enjoys the role of processing payroll and administering health benefits for a number of our employees from British Columbia to Quebec. The roles of our Payroll and Benefit service team are to:

- Ensure pay records are accurate, complete and delivered on time;
- Assist in retirement plans. We have made available a group RRSP payroll deduction plan;
- Play an advisory role to our business units to discuss HR best practices, federal and provincial regulations including human rights, labour laws and employment equity; and
- Promote personal wellness needs through developing and administering cost-effective health benefit plan designs and family assistance programs.

BUSINESS MANAGEMENT CERTIFICATE PROGRAM

One of our guiding principles to customer service is "We invest in our people – companies do not provide customer service, people do." For this reason we have partnered with the Southern Alberta Institute of Technology (SAIT) to provide a 160 hour program to all interested employees who are committed to life-long learning. The modules are designed to build leadership skills in our

people by giving them insight into many different areas of professional and personal skill sets. The training sessions are held in two of our terminals located in northern and southern Alberta with participants attending from a number of our business units. Each year our senior executives invite the new graduates of the program to Banff, Alberta where they complete the corporate modules delivered by senior executives. To date we have 203 graduates of the program with another 20 scheduled to graduate in May, 2006.

NORM SHUPE Vice President, Operations, **Sandra Perrigo** Director of Border Services, **Leah Toone** Licencing Administrator Assistant, **Stacey Krenz** Licencing Administrator

Our team, consisting of four individuals, three of whom are long-term dedicated employees, strives to ensure that all businesses have the most up-to-date information related to equipment, licencing, regulatory issues, facilities or customers to ensure that they can provide the highest level of service to their customers.

LICENCING

We provide each of our business units with support and licencing expertise. As users of the highway systems, we have a complex set of regulations relating to vehicle licencing. It is our responsibility to ensure our business units are kept informed and meet the established licencing standards.

When Mullen converted to an income fund in 2005, we were faced with the challenge of moving all equipment and regulatory documents to the Fund's new name. This was accomplished quickly and efficiently to ensure that the day-to-day operations were not affected.

FACILITIES

We work with each of our business units to ensure that they have the required space to run their operations effectively and cost-efficiently. We ensure that our facilities are strategically located in order to provide our customers with the best service possible. We are also able to provide advice on the maintenance and up-keep of the facilities and yards.

TRADING CONSULTING/BORDER SERVICES

The increased complexity of cross-border trade poses serious compliance challenges to importers, exporters and carriers who may lack the expertise and resources to effectively manage the onerous reporting requirements of both the Canadian and U.S. governments. To improve the trade management process, we focus on meeting the requirements of compliance and minimize the risk and financial impact of non-compliance.

We provide information to Mullen business units on customs compliance, updates on new regulations and other border programs on importing and exporting goods from Canada. We are also involved in education and training of our business units in all areas of Canadian and U.S. customs regulatory requirements.

Our team stays abreast of the changing face of border programs. We consult with customers and assist with regulatory issues such as NAFTA, customs documentation, clearance procedures, pre-arrival reviews, audit assistance, and development of basic trade smarts.

Currently Mullen is the only Canadian carrier that is capable of filing its own bonds for movement of bonded goods into the U.S. In addition, we are the first Canadian carrier to file an Ace e-manifest via EDI through the automated commercial environment, enabling our trucks to meet new U.S. entry requirements.

The Mullen Group is a leader in the industry and trade and has a great working relationship with border personnel in the U.S. and Canada. We have accelerated our relationship as a valued supply chain trade partner.

EQUIPMENT

We work alongside each of our business units, providing them with knowledge in regard to state-of-the-art equipment, and by researching and working with all of the suppliers. Our equipment has a long life-cycle; a particular truck, for example, may be used for years in a long-haul application, then transferred to our operations for short haul purposes. Eventually, it is auctioned or sold privately.

We are able to provide up-to-date information on the equipment that we have so that it can be effectively utilized within the organization.

During the year Mullen faced potential shortages of products such as tires. Due to our size and supplier relationships, we were able to ship our own tires, which allowed us to continue purchasing equipment with no interruptions.

	Drilling Rigs	Tractors*	Trailers
Burnell Contractors L.P.		18	56
Cascade Carriers L.P		148	527
C. Steen Trucking Ltd.		22	23
Cora Lynn Drilling L.P.	27	64	65
E-Can Oilfield Services L.P.		122	56
FSJ L.A.N.D. Transport L.P.		30	44
Grimshaw Trucking L.P.		150	344
Heavy Crude Hauling L.P.		127	240
Mill Creek Motor Freight L.P.		131	304
Mullen Oilfield Services L.P.		142	269
Mullen Trucking L.P.		184	402
Northern Underwater Systems L.P.		5	8
OK Drilling Services L.P.	26	29	34
Payne Transportation L.P.		188	326
Pe Ben Bulk Transport Ltd.		53	105
Pe Ben Oilfield Services L.P.		177	449
Premay Equipment L.P.		63	403
Premay Pipeline Hauling L.P.		22	57
Schmidt Drilling L.P.	6	15	50
Spearing Service L.P.		67	65
Tenold Transportation L.P.		120	145
Total	59	1,877	3,972

*Includes owned trucks and tractors, owner operators and dedicated sub-contractors

INVESTOR SERVICES

SHARON KAISER
Corporate Secretary

BECKY KING
Executive Assistant

INVESTOR SERVICES

Today, more than ever, investors and the broader investment community are demanding increased Fund information and timely disclosure of material events that may affect the business of the Fund and ultimately the value of their investment. At Mullen, Investor Services is the link between the Fund and its unitholders, responding to inquiries on a timely basis and ensuring that investors receive the right information.

As your principal point of contact with CIBC Mellon Trust Company, the Fund's transfer agent, we ensure that the monthly distributions approved by the Board of Directors are made to our unitholders, and we make ourselves available to answer any questions that may arise.

DISTRIBUTIONS SINCE INCEPTION

Record Date	Payment Date	Distribution Per Unit	Total Units*	Total Distribution
2005				
July 31	August 15	$ 0.135	47,005,756	$ 6,345,777.05
August 31	September 15	$ 0.135	47,255,756	$ 6,379,527.05
September 30	October 17	$ 0.135	47,255,756	$ 6,379,527.05
October 31	November 15	$ 0.135	47,255,756	$ 6,379,527.05
November 30	December 15	$ 0.135	47,255,756	$ 6,379,527.05
December 31	January 16/06	$ 0.135	47,255,756	$ 6,379,527.05
2006				
January 31	February 15	$ 0.15	50,655,756	$ 7,598,363.40
February 28	March 15	$ 0.15	50,655,756	$ 7,598,363.40
March 31	April 17	$ 0.15	50,655,756	$ 7,598,363.40

*Total Units include Mullen Group Income Fund Trust Units and Mullen Co. Partnership B Units.

Our responsibilities, however, extend much further than communicating directly with our investors. We co-ordinate the preparation of reports in our business such as annual and quarterly reports; plan the annual general meetings of our investors; and ensure that important materials, like the notice of meeting, information circular, annual information form and proxies, are distributed as required by the regulatory bodies.

CORPORATE GOVERNANCE

Today's investors, both retail and institutional, believe strong corporate governance is vital to Board and corporate performance. Directors are being encouraged to be more proactive and most publicly-traded companies have written formal statements of corporate governance principles. Over the past two years, Mullen has implemented a number of corporate governance policies covering corporate disclosure, code of ethics and whistleblower complaints and protection.

New guidelines promoting a higher standard of corporate governance have taken effect, promoting a culture of integrity throughout the organization. At its core, good governance is about all employees thinking and acting in an ethical manner. It is common sense, good business and integrity, basic fundamentals to which Mullen has always subscribed.

At Mullen, Investor Services provides services to the Board of Directors and manages Board information and needs through the direction of the Chairman and senior executives of the Fund. The Board, which reports to the Fund's unitholders, is governed by many regulatory rules and policies. Accurate and timely flow of information between the Board and its committees, and senior management, is imperative.

COMPLIANCE AND REGULATORY RESPONSIBILITIES

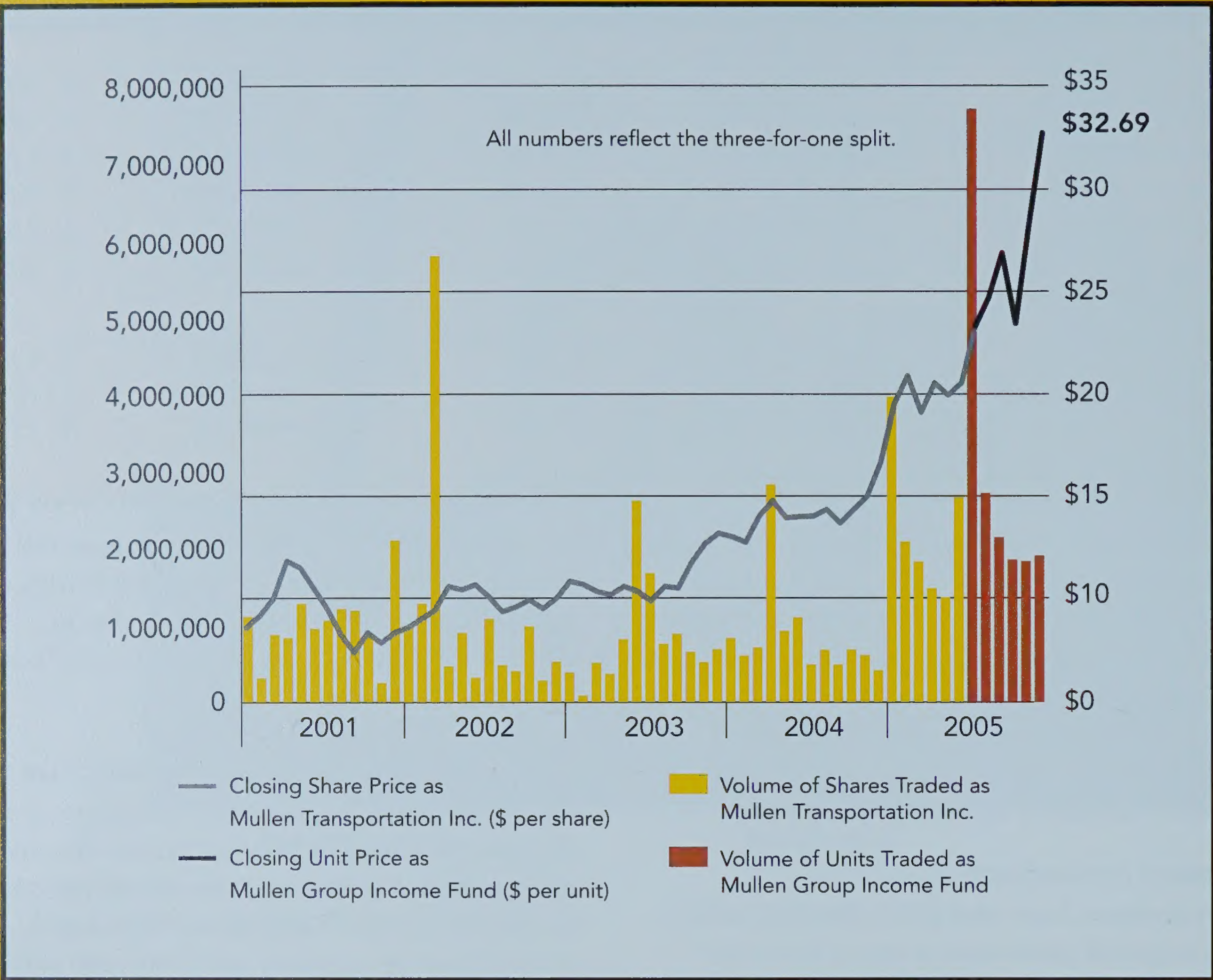
The increased scrutiny of governance practices has also put more focus on how companies communicate with investors. For instance, new regulations related to compliance require that more information is disseminated to regulators and unitholders within shorter timeframes. As new regulations or policies are implemented or proposed, there is greater onus on Investor Services to ensure that the organization is at all times in compliance.

COMMUNICATIONS

Communicating, scheduling, and planning are really what Investor Services is all about at the Mullen Group. We take our responsibilities seriously and are committed to providing all of our stakeholders with a quality service. This is the essential element of inter-corporate relationships and good governance.

The Internet has revolutionized how we communicate and today is the most visible and up-to-date link among investors, the general public and the Mullen Group. We maintain the corporate website, providing interested parties with immediate access to current information at www.mullen-group.com.

UNITHOLDER INFORMATION



Transfer Agent and Registrar
CIBC Mellon Trust Company
600 333–7th Avenue S.W.
Calgary, Alberta T2P 4P4
Telephone: (403) 232-2400

Unitholder Services
North America: 1-800-387-0825
Outside North America:
1-416-643-5000
Website: www.cibcmellon.com

Stock Trading Activity: MTL.UN

Opening price January 4, 2005:	**$16.80***
Closing price December 31, 2005:	**$32.69**
Total number of shares and units traded in 2005:	**18,692,021**

* Share price adjusted for the three-for-one-split.

Stock Exchange
The Toronto Stock Exchange
Trading Symbol: **MTL.UN**

Online Information
Additional information on the Mullen Group Income Fund and its group of companies, and this annual report, can be viewed electronically at:
www.mullen-group.com

Directors and Officers

Murray K. Mullen
Chairman, Co-Chief Executive Officer and Director

Alan D. Archibald [1, 2]
Director

Greg Bay [1, 2]
Director

Dennis J. Hoffman, CA [1, 2]
Director

Stephen H. Lockwood, Q.C.
President, Co-Chief Executive Officer and Director

Bruce W. Simpson [1, 2]
Director

Bruce W. Mullen
Senior Vice President

David E. Mullen
Senior Vice President

David E. Olson, CA
Vice President, Finance and Chief Financial Officer

Sharon L. Kaiser
Corporate Secretary

1 *Member of the Audit Committee*
2 *Member of the Compensation, Nomination and Governance Committee*

Head Office

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E-mail: IR@mullen-group.com

Banker

The Royal Bank of Canada
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

The annual and special meeting of the securityholders of Mullen Group Income Fund will be held on May 31, 2006 at 9:30 a.m. in Palomino Room C at the Roundup Centre, corner of 13th Avenue and 3rd Street S.E., Calgary, Alberta. All securityholders are encouraged to attend. Those unable to attend should sign and return the proxy form as soon as possible.

Designed and produced by Merlin Edge Inc. www.merlinedge.com Printed in Canada

Mullen Group
INCOME FUND

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